

AUDIT COMMITTEE

21 MARCH 2013

REPORT OF HEAD OF INTERNAL AUDIT

A.3 REPORT ON INTERNAL AUDIT – December 2012 – March 2013

(Report prepared by Steve Blake)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period December 2012 – March 2013.

EXECUTIVE SUMMARY

The report provides a review of the activity of the Internal Audit function over the period December 2012 to March 2013.

Whilst there has been some slippage regarding performance in the year to date, all assurance audits remaining in the Internal Audit Plan for 2012/13 are expected to be either completed or in progress at the financial year end.

During the period under review there were two reports where the assurance given was less than adequate.

RECOMMENDATION(S)

- (a) That the contents of the report be noted**
- (b) That Members determine which, if any, of the audit reports completed in the period they wish to receive for detailed consideration at the next Audit Committee meeting**
- (c) The 2012/13 plan be adjusted to remove the Housing Strategy and Development and Public Relations audits at this time**

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council's commitment to corporate governance matters.

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

The Internal Audit function is operating within the budget set.

Risk

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

LEGAL

The Council has a statutory responsibility to maintain adequate and effective internal audit.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) (the code) requires the Head of Internal Audit to make arrangements for reporting to the organisation during the course of the year. The code identifies the types of issue that the Head of Internal Audit should bring to the attention of the Audit Committee.

CURRENT POSITION

CIPFA Code of Practice 2006

The code was published in December 2006. The code's requirements are mandatory for all local authorities subject to the Accounts and Audit Regulations.

The Internal Audit function is currently considered to be fully compliant with the requirements of the Code of Practice.

CIPFA published a common set of public sector internal audit standards in December 2012 to be effective from 1st April 2013. CIPFA are also publishing guidance on these standards in early April 2013. In order to avoid abortive work, little development work has been undertaken to date, pending the issue of the guidance. It is intended, once the guidance has been received, to undertake a self assessment against the standards with a view to producing an action plan to address any issues of non or partial compliance. Details will be reported to the committee in due course.

Internal Audit Objectives

The code requires the Head of Internal Audit to submit to the Audit Committee documents that describe how the Internal Audit function will fulfil its objectives. The current documents are: -

Internal Audit Terms of Reference and Internal Audit Strategy – These were last approved by this committee on 22nd March 2012, and have previously been subject to an annual review. As previously reported these are considered to remain fit for purpose at the

current time, but will need review once the new standards are introduced. Action will be taken to produce and seek approval for replacement documents consistent with the requirements of the new standards at the earliest opportunity.

Internal Audit Plan – The 2012/13 plan was approved by this committee on 22nd March 2012. Progress regarding the plan is covered elsewhere in this report. A report regarding approval of the 2013/14 plan is included on the agenda for this meeting of the Committee.

Progress Against Objectives

The code requires the Head of Internal Audit to report to the Audit Committee on progress made against objectives set. The progress made in the period under review is as set out below: -

Internal Audit Plan 2012/13 Progress – The Internal Audit Plan approved by the Audit Committee in March 2012 continues to be kept under review.

Appendix A provides detail of the status of each audit as at February 2013. At this point 80% of the plan had been achieved. Whilst this is behind target, all assurance audits identified in the plan are expected to be either complete or in progress at the financial year end with the exception of the following: -

Housing Strategy and Development – the new Housing Strategy has been delayed as it needs to take into account the new Local Plan which has not yet been adopted. This audit is therefore proposed for deferral and has been provisionally included in the 2013/14 Internal Audit Plan.

Public Relations – it has not proved possible at this time to identify sufficient content or exposure to risk to justify undertaking an audit on this subject in its own right. It is therefore proposed that this audit be cancelled, and considered for inclusion in a future years plan if needed.

Given the time of year it is not feasible to replace these audits in the current years plan, as the lead in time necessary to consult and develop an audit would preclude commencement before April.

The level of audit coverage in the year to date regarding Proactive Anti Fraud audits was restricted pending the publication of the Audit Commission's "Protecting the Public Purse 2012" document in November 2012, to enable emerging fraud themes to be considered for coverage in the remaining part of this financial year. However taking into account the emerging risks identified, the scope and timing of assurance work previously planned, and operational changes within departments, it is more appropriate to review these risks in early 2013/14. Proactive anti fraud work in 2012/13 has therefore been restricted to coverage of previously identified risks and this work is ongoing.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. In the year to date 94% of the responses received indicated that the auditee was satisfied with the audit work undertaken.

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Development work is to be undertaken to enable statistical information to be reported to future meetings on the effectiveness of Departments in resolving issues raised and reported by the Internal Audit function.

Outcomes of Internal Audit Work

The code requires the Head of Internal Audit to report to the Audit Committee on the outcomes of internal audit work undertaken. In the period under review 11 audits have been completed. Appendices B and C include brief details from each audit report issued of findings scored as medium risk or higher where assurance was either limited or adequate.

Assurance	Colour	Number this Period	Year to Date	
Minimal	Red	0	0	-
Limited	Pink	2	3	Appendix B
Adequate	Light Green	7	25	Appendix C
Substantial	Dark Green	2	9	-

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances. Pink has been used for Limited Assurance due to amber not being in the range of colours available in the current version of the audit software in use.

Issues to draw to the attention of the Committee

The following issues are drawn to the attention of Members: -

Life Opportunities – Casual Staff Holiday Pay – Follow Up

At the December 2012 meeting the Committee's attention was drawn to an issue that had been identified during the Life Opportunities Timesheets and Allowance Claims audit. That audit had identified incorrect processes in place for the calculation of payment in lieu of holiday entitlement for casual staff at Leisure sites, and members were advised that a follow up review would be undertaken in early 2013.

The follow up has now been completed and identified that appropriate action had been taken to resolve the issue at all sites except Harwich Sports Centre where the problem remained. Assurance has been provided that corrective action will be taken, but as the next point that the holiday pay calculation is due to be undertaken is early April it is not possible to advise at this time that the issue has been satisfactorily resolved. A spot check will be undertaken shortly to ensure that resolution has been achieved.

Tending Careline / CCTV

The audit identified issues regarding debt recovery and budgets for both Careline and CCTV. Assurance has been obtained that corrective action will be taken to resolve these issues. A follow up will be undertaken in due course to review the effectiveness of the action taken.

BACKGROUND PAPERS FOR THE DECISION

Audit Reports

APPENDICES

Appendix A – Internal Audit Plan 2012/13 Progress Report
Appendix B - Internal Audit Reports Issued – Limited Assurance
Appendix C – Internal Audit Reports Issued – Adequate Assurance