

AUDIT COMMITTEE

03 December 2013

INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2013

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

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RECENT REFERENCES:

AUD066 – Internal Audit Progress Report – August 2013

AUD065 – Internal Audit Plan 2013/2014 (Revised)

AUD064 – Public Sector Internal Audit Standards - Internal Audit Charter

EXECUTIVE SUMMARY:

The purpose of this paper is to provide the Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved plan and to provide an overview of the status of 'live' reports.

The requirement for an Internal Audit Progress report (Appendix 1) is outlined in the Public Sector Internal Audit Standards and the Council's Internal Audit Charter.

RECOMMENDATION:

- 1 That the Audit Committee note the Internal Audit Progress Report (November 2013) attached as Appendix 1.

AUDIT COMMITTEE

03 December 2013

INTERNAL AUDIT PROGRESS REPORT – NOVEMBER 2013

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

DETAIL:

1 Introduction

- 1.1 The purpose of this paper is to provide the Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2 Summary

- 2.1 Under the Accounts and Audit (England) Regulations 2011, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk, and;
 - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 2.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:
- 'communications on the internal audit activity's performance relative to its plan.'*
- 2.3 Appendix 1 summarises the performance of internal audit for the period to November 2013.

OTHER CONSIDERATIONS:

3 SUSTAINABLE COMMUNITY STRATEGY AND CHANGE PLANS (RELEVANCE TO):

- 3.1 The Internal Audit work supports the Council's strategies and change plans.

4 RESOURCE IMPLICATIONS:

4.1 None directly from this report.

5 RISK MANAGEMENT ISSUES

5.1 The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

BACKGROUND DOCUMENTS:

None

APPENDICES:

Appendix 1 – Internal Audit progress report (November 2013)

<u>SUBJECT:</u>	<u>Internal Audit: Progress Report</u>
<u>MEETING:</u>	<u>Audit Committee</u>
<u>DATE OF MEETING:</u>	<u>03 December 2013</u>
<u>REPORT OF:</u>	<u>Head of Southern Internal Audit Partnership</u>
<u>REPORT DATE:</u>	<u>13 November 2013</u>

1 SIAP opinion definitions (apply to reviews undertaken after 1 July 2013)

Opinion	Framework of governance, risk management and management control
Substantial assurance	A sound framework of internal control is in place and is operating effectively. No risks to the achievement of system objectives have been identified.
Adequate Assurance	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
Limited assurance	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
No assurance	Fundamental weakness identified in the framework of internal control or the framework is ineffective or absent with significant risks.

2 Status of 'live' reports:								
Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Covalent is currently showing 49 outstanding actions relating to audit reports issued prior to 2011-12. None of these actions are high priority. Management are reviewing these actions for continued relevance and potential duplication and will update Covalent accordingly. The remaining relevant outstanding actions will continue to be monitored through to completion.								
Performance Management & Risk Management	2011-12	CX	Limited	Limited	12(0)	7(0)	0(0)	5(0)
Flexible / Smarter Working	2011-12	CX	Limited	Limited	10(3)	6(3)	0(0)	4(0)
ICT Security Policy Audit	2011-12	CFO	Limited	Limited	13(1)	6(1)	0(0)	7(0)
Cash Collection	2011-12	CFO	Substantial	Substantial	6(0)	4(0)	0(0)	2(0)
Creditors	2011-12	CFO	Substantial	Substantial	4(0)	1(0)	0(0)	3(0)
Asset Management	2011-12	COO	Limited	Limited	8(2)	5(2)	0(0)	3(0)
Accountancy, Treasury Management and VAT	2011-12	CFO	Substantial	Substantial	5(1)	4(1)	0(0)	1(0)
Cash Collection	2012-13	CFO	Substantial	Substantial	11(0)	1(0)	1(0)	9(0)
Debtors	2012-13	CFO	Substantial	Substantial	10(0)	3(0)	0(0)	7(0)
Environmental Services Contract	2012-13	CD	Limited	Limited	8(0)	0(0)	0(0)	8(0)
Treasury Management	2012-13	CFO	Substantial	Substantial	2(0)	0(0)	0(0)	2(0)
Fraud Prevention	2012-13	CFO	Substantial	Substantial	5(0)	0(0)	2(0)	3(0)

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Budgetary Control	2012-13	CFO	Substantial	Substantial	2(0)	1(0)	0(0)	1(0)
Housing Rents	2012-13	CD	Substantial	Substantial	8(0)	2(0)	0(0)	6(0)
Performance Management & Risk Management	2012-13	CX	Substantial	Substantial	6(0)	5(0)	0(0)	1(0)
Main Accounting	2012-13	CFO	Substantial	Substantial	2(0)	0(0)	1(0)	1(0)
Staff Recruitment	2012-13	CX	Substantial	Substantial	7(0)	5(0)	1(0)	1(0)
Payroll	2012-13	CX	Substantial	Substantial	8(0)	7(0)	0(0)	1(0)
Housing Term Contracts	2012-13	CD	Limited	Limited	7(0)	4(0)	3(0)	0(0)
Guildhall stock control	2012-13	COO	Substantial	Substantial	8(0)	8(0)	0(0)	0(0)
Asset management (Hyde House project)	2012-13	COO	Substantial	Substantial	3(0)	0(0)	1(0)	2(0)

NB All the audit opinions shown in the above table reflect the definitions in place prior to 01 July 2013. The pre 01 July 2013 definitions are listed in section 8 of this appendix for reference.

Key to Sponsors:

Key to Audit Sponsors	
Corporate Director	CD
Chief Executive	CX

Chief Operating Officer	COO
Chief Finance Officer	CFO

3 Internal Audit Performance

The internal audit service is measured against the following key performance targets:

Performance Targets – October 2013		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	51.2
Compliant with the Public Sector Internal Audit Standards	Yes	Yes

4 Planning and Resourcing

The internal audit plan for 2013/14 was prepared following meetings with the senior management and Service Managers and presented to the Audit Committee in March 2013. The revised internal audit plan (2013/14) was presented to the Audit Committee in September 2013. The audit plan will remain fluid to ensure internal availability to react to the changing needs of the Council. Progress against the plan is detailed within section 7.

5 Significant issues arising

No significant issues have arisen from the audit work completed to date.

6 Fraud and Irregularities

No new fraud investigations have been reported 2013-14.

7 Rolling work programme 2013/14 audit plan

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Housing term contract (12/13)	CD	✓	✓	✓	✓	✓	✓
Guildhall (12/13)	COO	✓	✓	✓	✓	✓	✓
Asset management (12/13)	COO	✓	✓	✓	✓	✓	✓
Corporate cross cutting							
Commissioning	CX	✓	✓	✓			
Data security and management	CFO						
Asset management	COO	✓					
ICT shared service	CFO						
NFI	CFO	N/A	N/A	✓	N/A	N/A	N/A
Performance and risk management	CX	✓	✓	✓			
Role on Major Projects	CD						
Corporate Governance							
Fraud prevention (proactive fraud initiatives)	CFO	✓	✓	✓	✓		
Anti-fraud and corruption policy (training and communications)	CFO	✓	✓	✓	✓	N/A	N/A
Health and Safety at work	CX	✓	✓	✓	✓		
Special Investigations	CFO						

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Code of conduct	COO	✓	✓	✓	✓	✓	
Data Protection and Freedom of Information	COO	✓	✓	✓	✓		
Corporate Governance (self assessments)	COO	✓	✓	✓	✓	N/A	N/A
Annual review of the effectiveness of internal audit	COO	✓	✓	✓	✓	✓	✓
S151 Requests - Fraud survey	CFO	✓	✓	✓	✓	N/A	N/A
S151 Requests - DECC grant claim	CFO						
S151 Requests - fixed asset register	CFO	✓	✓	✓	✓		
S151 Requests – Mayor’s Charity account	CFO	✓	✓	✓	✓	N/A	N/A
Information technology							
Software Licensing and management of ICT assets	CFO	✓					
Telecommunications	CFO	✓	✓	✓			
Core financial systems							
Housing rents	CD						
Benefits	CFO	✓	✓				
Car parks	CD	✓					
Cash collection	CFO						
Council Tax	CFO	✓	✓	✓	✓		

Audit title	Audit Sponsor	Audit progress					
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Accounts payable / Creditors	CFO						
Main accounting (bank reconciliations)	CFO						
NNDR	CFO	✓	✓	✓	✓		
Payroll	CX						
Corporate priorities / Service Audit							
Guildhall	COO	✓					
Leisure contract	CD	✓	✓	✓	✓		
Waste Management Contract (joint with EHDC)	CD	✓					
Other direct audit activity							
Follow ups 1	COO	✓	✓	✓	✓	✓	✓
Follow ups 2	COO						

Key to Audit Sponsors	
Corporate Director	CD
Chief Executive	CX

Chief Operating Officer	COO
Chief Finance Officer	CFO

8 WCC opinion definitions (apply to reviews completed prior to 1 July 2013)

Opinion	Framework of governance, risk management and management control
Full	<p>System Effectiveness opinion - There is a sound system of control designed to achieve the system objectives, and</p> <p>Testing opinion – The controls are being consistently applied.</p>
Substantial	<p>System Effectiveness opinion– While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or</p> <p>Testing opinion – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>
Limited	<p>System Effectiveness opinion – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or</p> <p>Testing opinion – The level of non-compliance puts the system objectives at risk.</p>
No assurance	<p>System Effectiveness opinion – Control is generally weak leaving the system open to significant error or abuse, and/or</p> <p>Testing opinion – Significant non-compliance with basic controls leaves the system open to error or abuse.</p>