

AUDIT COMMITTEE

26 June 2014

INTERNAL AUDIT PROGRESS REPORT 2013-14

REPORT OF THE HEAD OF SOUTHERN INTERNAL AUDIT PARTNERSHIP

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RECENT REFERENCES:

AUD064 – Public Sector Internal Audit Standards - Internal Audit Charter

AUD065 – Internal Audit Plan 2013/2014 (Revised)

AUD075 – Internal Audit Progress Report – November 2013

AUD080 – Internal Audit Progress Report – January 2014

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:

That the Audit Committee note the Internal Audit Progress Report 2013-14 attached as Appendix 1.

## AUDIT COMMITTEE

26 June 2014

### INTERNAL AUDIT PROGRESS REPORT 2013-14

### 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 2013-14.

#### OTHER CONSIDERATIONS:

#### 3 COMMUNITY STRATEGY AND PORTFOLIO 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 2013 -14.

<b><u>SUBJECT:</u></b>	<u>Internal Audit: Progress Report</u>
<b><u>MEETING:</u></b>	<u>Audit Committee</u>
<b><u>DATE OF MEETING:</u></b>	<u>26 June 2014</u>
<b><u>REPORT OF:</u></b>	<u>Head of Southern Internal Audit Partnership</u>
<b><u>REPORT DATE:</u></b>	<u>16 June 2014</u>

<b>1 SIAP opinion definitions (apply to reviews undertaken after 1 July 2013)</b>
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<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>
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.

<b>2 Status of 'live' reports:</b>								
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 32 outstanding actions relating to audit reports issued prior to 2011-12. Management are currently reviewing these actions to ensure Covalent has been appropriately updated or establish continued relevance.								
Performance Management & Risk Management	2011-12	CX	Limited*	Limited*	12 (0)	10 (0)	0 (0)	2 (0)
Flexible / Smarter Working	2011-12	CX	Limited*	Limited*	10 (3)	8 (3)	0 (0)	2 (0)
ICT Security Policy Audit	2011-12	CFO	Limited*	Limited*	13 (1)	6 (1)	2 (0)	5 (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)	7 (2)	0 (0)	1 (0)
Accountancy, Treasury Management and VAT	2011-12	CFO	Substantial*	Substantial*	<b>5(1)</b>	<b>5(1)</b>	<b>0(0)</b>	<b>0(0)</b>
Cash Collection	2012-13	CFO	Substantial*	Substantial*	10 (0)	9 (0)	0 (0)	1 (0)
Debtors	2012-13	CFO	Substantial*	Substantial*	10 (0)	7 (0)	0 (0)	3 (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)	1 (0)	0 (0)	1 (0)
Fraud Prevention	2012-13	CFO	Substantial*	Substantial*	5 (0)	2 (0)	1 (0)	2 (0)
Budgetary Control	2012-13	CFO	Substantial*	Substantial*	2 (0)	1 (0)	0 (0)	1 (0)

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
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)	6 (0)	0 (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)	0 (0)	3 (0)
Asset management (Hyde House project)	2012-13	COO	Substantial*	Substantial*	3 (0)	1 (0)	0 (0)	2 (0)
Code of conduct	14/11/13	COO	Adequate	Adequate	3 (0)	2 (0)	0 (0)	1(0)
Fraud Prevention (Proactive fraud initiatives)	21/01/14	CFO	N/A	N/A	5 (0)	0 (0)	2 (0)	3 (0)
NNDR	29/01/14	CFO	Adequate	Adequate	<b>1 (0)</b>	<b>1 (0)</b>	<b>0 (0)</b>	<b>0 (0)</b>
Data Protection and Freedom of Information	19/02/14	COO	Limited	Limited	8 (1)	4 (1)	4 (0)	2 (0)
Health and Safety at Work	05/03/14	CX	Adequate	Adequate	6 (0)	5 (0)	0 (0)	1 (0)
Car Parks	14/04/14	CD	Adequate	Adequate	2 (0)	0 (0)	1 (0)	1 (0)
Telecommunications	02/06/14	CFO	Limited	Limited	7 (3)	0 (0)	1 (1)	6 (2)
Housing rents	03/06/14	CD	Adequate	Adequate	2 (0)	1 (0)	1 (0)	0 (0)

Audit title	Report date	Audit Sponsor	Audit Assessment		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Benefits	03/06/14	CFO	Adequate	Adequate	1 (0)	0 (0)	1 (0)	0 (0)
Cash Collection	03/06/14	CFO	Adequate	Adequate	10 (0)	1 (0)	7 (0)	2 (0)

\*NB The audit opinions for reports issued during or before 2012/13 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 2013-14		
	Target for Year (%)	Actual to Date (%)
% of revised plan delivered (including 2012/13 c/f)	95	91
Compliant with the Public Sector Internal Audit Standards	Yes	Yes
Positive customer response to quality appraisal questionnaire	90	100

### 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 remained fluid to ensure internal availability to react to the changing needs of the Council. Progress against the plan is detailed within section 7.

### 5 Issues arising

**Data Protection & Freedom of Information** - The audit review acknowledged the existence of both Data Protection Act and Freedom of Information Act policies and their communication at a high level across the organisation. It was highlighted however, that policies had not been reviewed / updated for a number of years and that wider communication and dissemination of those policies would greater assist awareness and corporate compliance.

Significant progress has already been made in addressing these issues with presentations at Senior Management Team and inclusion as part of the corporate induction programme.

Further issues were raised with management at the absence of any formal monitoring in response to Freedom of Information and Data Protection requests in which numerous requests appeared to have exceeded mandatory response times.



**Telecommunication** - The Council maintain a number of contracts in relation to telecommunications covering maintenance, rental and call charges for landlines and mobile phones. However, the absence of contract documentation available during the course of the review limited internal audits ability to provide assurance over the effectiveness of contract and performance management.

From the contracts / agreement that were available there was limited evidence to support that suppliers' performance was being monitored.

Review of the budget headings relating to telecommunications at the time of the audit review (period 5) highlighted an overspend of 23% against projected expenditure.

**Accounts payable / creditors** – see agenda item AUD089

## 6 Fraud and Irregularities

One allegation of fraud, corruption or improper practice is currently under review.

## 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	Assurance opinion
Housing term contract (12/13)	CD	✓	✓	✓	✓	✓	✓	WCC - limited
Guildhall – stock control (12/13)	COO	✓	✓	✓	✓	✓	✓	WCC - substantial
Asset management (12/13)	COO	✓	✓	✓	✓	✓	✓	WCC - Substantial
<b>Corporate cross cutting</b>								

Audit title	Audit Sponsor	Audit progress						
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued	Assurance opinion
Commissioning	CX	✓	✓	✓	✓	✓		Adequate
Data security and management	CFO	✓	✓	✓				
Asset management	COO	✓	✓	✓	✓	✓		Adequate
ICT shared service	CFO	✓	✓	✓	✓			
NFI	CFO	N/A	N/A	✓	N/A	N/A	N/A	-
Performance and risk management	CX	✓	✓	✓	✓	✓		Limited
Role on Major Projects	CD	✓	✓	✓	✓	✓	✓	-
<b>Corporate Governance</b>								
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	✓	✓	✓	✓	✓	✓	Adequate
Special Investigations	CFO							-
Code of conduct	COO	✓	✓	✓	✓	✓	✓	Adequate
Data Protection and Freedom of Information	COO	✓	✓	✓	✓	✓	✓	Limited
Corporate Governance (self assessments)	COO	✓	✓	✓	✓	N/A	N/A	-
Annual review of the effectiveness of internal audit	COO	✓	✓	✓	✓	✓	✓	Substantial
S151 Requests - Fraud survey	CFO	✓	✓	✓	✓	N/A	N/A	-
S151 Requests - fixed asset register	CFO	✓	✓	✓	✓	✓	✓	-
S151 Requests – Mayor’s Charity account	CFO	✓	✓	✓	✓	N/A	N/A	-

Audit title	Audit Sponsor	Audit progress							Assurance opinion
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued		
<b>Information technology</b>									
Software Licensing and management of ICT assets	CFO	✓	✓	✓	✓	✓		Adequate	
Telecommunications	CFO	✓	✓	✓	✓	✓	✓	Limited	
<b>Core financial systems</b>									
Housing rents	CD	✓	✓	✓	✓	✓	✓	Adequate	
Benefits	CFO	✓	✓	✓	✓	✓	✓	Adequate	
Car parks	CD	✓	✓	✓	✓	✓	✓	Adequate	
Cash collection	CFO	✓	✓	✓	✓	✓	✓	Adequate	
Council Tax	CFO	✓	✓	✓	✓	✓	✓	Substantial	
Accounts payable / Creditors	CFO	✓	✓	✓	✓	✓	✓	No	
Main accounting (bank reconciliations)	CFO	✓	✓	✓	✓	✓		Limited	
NNDR	CFO	✓	✓	✓	✓	✓	✓	Adequate	
Payroll	CX	✓	✓	✓	✓	✓		Substantial	
<b>Corporate priorities / Service Audit</b>									
Guildhall - income	COO	✓	✓	✓	✓	✓		Limited	
Contract management	CD	✓	✓	✓	✓				
Waste Management Contract (joint with EHDC)	CD	✓	✓	✓	✓	✓		Limited	
<b>Other direct audit activity</b>									

Audit title	Audit Sponsor	Audit progress						
		Audit scoping started	Audit outline issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued	Assurance opinion
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

<b>8 WCC opinion definitions (apply to reviews completed prior to 1 July 2013)</b>
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<b>Opinion</b>	<b>Framework of governance, risk management and management control</b>
<b>Full</b>	<p><b>System Effectiveness opinion</b> - There is a sound system of control designed to achieve the system objectives, and</p> <p><b>Testing opinion</b> – The controls are being consistently applied.</p>
<b>Substantial</b>	<p><b>System Effectiveness opinion</b>– While there is a basically sound system there are weaknesses which put some of the control objectives at risk, and/or</p> <p><b>Testing opinion</b> – There is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.</p>
<b>Limited</b>	<p><b>System Effectiveness opinion</b> – Weaknesses in the system of controls are such as to put the system objectives at risk, and/or</p> <p><b>Testing opinion</b> – The level of non-compliance puts the system objectives at risk.</p>
<b>No assurance</b>	<p><b>System Effectiveness opinion</b> – Control is generally weak leaving the system open to significant error or abuse, and/or</p> <p><b>Testing opinion</b> – Significant non-compliance with basic controls leaves the system open to error or abuse.</p>