



Agenda item:

**Decision maker:** Governance & Audit Committee

**Subject:** Audit Performance Status Report to 6<sup>th</sup> February for Audit Plan 2011/12

**Date of decision:** 9<sup>th</sup> March 2012

**Report by:** Chief Internal Auditor

**Wards affected** All

**Key decision (over £250k)** No

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## 1. Summary

- 1.1 There are two new critical exceptions and one area, which consisted of a number of high risk exceptions resulting in a no assurance opinion, highlighted in this report.
- 1.2 71% of the annual audit plan has been completed or is in progress at 6<sup>th</sup> February 2012. This represents 72 audits (43%) where the report is finalised, 13 audits (8%) where the report is in draft form and 34 audits (20%) currently in progress, out of the 168 planned audits.
- 1.3 Areas of Assurance are shown on Appendix A.
- 1.4 305 days of reactive work has been undertaken to 6<sup>th</sup> February 2012, with 350 days set aside in the 2011/12 Audit Plan.

## 2. Purpose of report

- 2.1 This report is to update the Governance and Audit Committee on the Internal Audit Performance for 2011/12 to 6<sup>th</sup> February 2012 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework.

## 3. Background

- 3.1 The Annual Audit Plan for 2011/12 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 28 January 2011 and following consultation with Heads of Services and the Strategic Directors Board.

## 4. Recommendations

- 4.1 That Members note the Audit Performance for 2011/12 to 6<sup>th</sup> February 2012.
- 4.2 That the highlighted areas of control weakness for the 2011/12 Audit Plan are noted by Members.

## 5. Audit Plan Status 2011/12 to 6<sup>th</sup> February 2012

### Percentage of approved plan completed

- 5.1 71% of the annual audit plan has been completed or is in progress at 6<sup>th</sup> February 2012. This represents 72 audits (43%) where the report is finalised, 13 audits (8%) where the report is in draft form and 34 audits (20%) currently in progress, out of the 168 planned audits. Appendix A shows the completed audits for 2011/12.
- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits is contained in Appendix A.
- 5.3 Seven audits have been removed from the plan:

<b>Audit</b>	<b>Reason</b>
Individual Budgets (Compliance)	This audit has been deferred to 2012/13. The Individual Budgets development of new procedures audit identified that the new procedures are still being imbedded. Therefore it is still too early to carry out compliance checks.
Access to Resources (Compliance)	This audit has been deferred to 2012/13. The Access to Resources development of new procedures audit, identified that the procedures needed to be updated before any compliance testing could be carried out.
Commissioning Transport for Looked After Children (LAC)	The scope of this audit has been included in the Voluntary Drivers and Integrated Transport Unit audits.
Risk Management	Both Risk Management audits have been deferred as there is a project to review the Risk Management process starting in April and risk workshops planned for Schools..
Risk Management in Schools	
Youth Service	Deferred until 2012/13 pending changes to the Youth Service being implemented.
MTRS	Deferred to 2012/13 due to new performance process being introduced

### Reactive Work

- 5.4 350 days have been allowed for reactive work and investigations in 2011/12. 305 days have been used to 6<sup>th</sup> February 2012.
- 5.5 The 305 reactive days were used for completion of 12 carried forward audits, 1 carried forward special investigation, 14 new special investigations, 4 unplanned items and 20 items of advice.
- 5.6 Special Investigations work undertaken in 2011/12 can be categorised as follows: One carried forward and 14 new special investigations including:

- 6 Whistleblowing investigations
- 8 Financial investigations
- 1 Forensic PC Examination

5.7 Items of reactive work due to changes in priorities, involving an Audit Review or Internal Audit acting in a consultancy role included, amongst other things:

- Southsea Town Council – Annual Accounts
- St Edmunds – Audit requested by Acting Head Teacher
- Mutual & Compromise Agreements – Requested by Director of Children’s Services.
- Vanguard Centre for Independence – Requested by Assistant Head of Adult Social Care

**Exceptions**

5.8 Of the programmed reviews completed so far this year the number of exceptions in each category have been:

- 3 Critical
- 125 High Risk
- 20 Medium Risk
- 17 Low Risk (Improvements)

5.9 Overall, the area of the control framework referred to as compliance with laws, regulations, rules, procedures and contract conditions is showing as being the weakest area of assurance.

5.10 The table below is a comparison of the audit status figures, at the start of February for this financial year and the previous two years.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
<b>% of the audit plan progressed</b>	68%	81%	71%
<b>No. of Critical exceptions</b>	12	2	3
<b>No. of High risk exceptions</b>	135	120	125
<b>No. of reactive days</b>	371	352	305

**6. Areas of Concern**

**Concerns identified since the last meeting**

6.1 There are three new areas of concern (two critical exceptions and one high risk area i.e. an area where no assurance was given due to the number of high risk exceptions)

## 6.2 Voluntary Drivers

- 6.2.1 An objective of the audit was to ensure that all voluntary drivers held a current CRB check, which should be renewed on a 3-yearly basis, as determined by the Head of Children's Social Care & Safeguarding.
- 6.2.2 Testing established that CRB checks had not been renewed for four voluntary drivers.
- 6.2.3 The Road Safety & Sustainable Travel Team Manager has agreed to immediately carry out any outstanding CRB checks and to establish a clear log of CRB checks, which will include reminders to identify when they are due for renewal.

## 6.3 Foster Placements

- 6.3.1 An objective of the audit was to ensure that all foster carers were having annual appraisals and that they held a current CRB check, which should be renewed on a 3-yearly basis as determined by the Head of Children's Social Care & Safeguarding.
- 6.3.2 Testing highlighted that foster carer appraisals were not always completed within a 12 month period. There was also 1 instance out of the 10 appraisals tested where a CRB recheck was not undertaken within 3 years. There was not a consistent approach taken by Social Workers or a centralised system in place to monitor that CRB checks were being done on a 3 yearly basis.
- 6.3.3 The Fostering Team Manager has agreed that reports will be run to collate due dates for all checks and reviews i.e. medicals, CRB's and review of approval.

## 6.4 Access to Resources – Development of Processes (Children's Social Care & Safeguarding)

- 6.4.1 An audit and benchmarking review has been carried out on the access to resources function, which was in the process of being developed in the family placement team, as requested by the Head of Service and the Looked After Children Service Commissioning Manager. The objectives of the review were to establish whether there were robust procedures in place and carry out testing on placement referrals and the associated decision making.
- 6.4.2 The review confirmed that there was a lack of formal procedures for referral to the family placement team for placement. The quality of documentation for referrals was inconsistent and placement meetings were not being formally recorded. The timeliness of decisions and transparency were also highlighted as weaknesses. These concerns underpinned the rationale for the development of an access to resource function. The potential risks highlighted by the review were:
- Poorer outcomes for children as a result of delays in the referral process
  - Poor placements or placement breakdowns as a result of inadequate information about the child
- 6.4.3 An action plan has been agreed with the Looked After Children Commissioning Manager which includes the following actions:

- Review existing procedures and up-date into a formalised procedure re: Placement Referral
- Briefing sessions for staff re: revised referral paperwork
- Implement use of revised referral paperwork
- Placements will not be made without referral paperwork being fully completed
- Briefings to staff re: what is expected of Social Workers in relation to referral to Access to Resources team after Placement Panel has agreed a placement.
- Communication loop between Access to Resource lead and Placement Panel to be tightened with weekly report back on actions taken following Placement Panel.
- Social workers to work to the expected standard of recording all placement planning meetings on the child's file.
- Care pack of all relevant paperwork to be collated and shared with staff and managers to clarify expectations.
- Matching sheet to be developed to aid transparency of placement decisions.
- Carer profiles to be updated on annual basis and information to be available to share with child/family.

## **7. Equality impact assessment (EIA)**

- 7.1 A preliminary equality impact assessment has been carried out which has revealed that the contents of this report do not have any relevant equalities impact and therefore a full assessment is not required.

## **8. City Solicitor's Comments**

- 8.1 The City Solicitor has considered the report and is satisfied that the recommendations are in accordance with the Council's legal requirements and the Council is fully empowered to make the decisions in this matter.
- 8.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

## **9. Head of Finance & S151 Officer Comments:**

- 9.1 There are no financial implications arising from the recommendations set out in this report.
- 9.2 The S151 Officer is content that the progress against the Annual Audit Plan and the recommendations made and followed up are sufficient to comply with his statutory obligations to ensure that the Authority maintains an adequate and effective system of internal audit of its accounting records and its system of internal control.

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Signed by: Lyn Graham, Chief Internal Auditor

## Appendices:

Appendix A – Completed audits from 2011/12 Plan

### Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
1 Accounts and Audit Regulations 2003 amended 2006 (and 2011)	Internal Audit
2 Audit Strategy 2011/12 and Audit Plan 2011/12	Internal Audit
3 CIPFA Code of Practice for Internal Audit 2006	Internal Audit
4 Previous Audit Performance Status and other Audit Reports	Internal Audit
5 Audit Charter and Terms of Reference	Internal Audit

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Governance & Audit Committee on 9<sup>th</sup> March 2012.

**Assurance**

<b>Service</b>	<b>Function</b>	<b>Comments</b>	<b>Internal Control Environment</b>	<b>Monitoring and evaluation</b>	<b>Reliability and Integrity</b>	<b>Effectiveness of ops</b>	<b>Safeguarding of assets</b>	<b>Compliance with Laws, Regs, Rules, Procedures and contract conditions</b>	<b>Actions agreed</b>	<b>Summary of areas where no assurance can be given</b>
<b>Adult Social Care</b>	Portsmouth Day Services	Follow up		Amber			Amber	Amber	✓	Actions relating to inventory, purchase orders, income and petty cash are not yet completed.
	Alexandra Lodge	Inventory check						Amber	✓	The review focussed on inventory and disposal of assets
	Edinburgh House			Amber			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for banking, purchase orders, inventory, income
	Shearwater			Red			Red	Red	✓	The review highlighted non-compliance with the Financial Rules for Purchase orders, Inventory, Amenity Funds, Holding accounts.
	Longdean Lodge			Green				Green	✓	All exceptions were actioned
	Corben Lodge	Follow up		Amber			Green	Amber	✓	Actions relating to compliance with Financial Rules for purchase orders, inventory, income and amenity funds are not yet completed.
	Royal Albert Day Centre	Follow up		Amber			Amber	Green	✓	Actions relating to checking of driving licences and the keypad are still outstanding.
	Home Workers	Follow up		Red					✓	Actions relating to staff not working their contractual hours are outstanding.
	Commissioned services (Adult Contract Monitoring)		Green	Green		Green	Amber	Amber	✓	The review highlighted that policies had not been requested from one contractor and non-compliance with Financial Rules for payment in advance

	Client contribution invoicing		Green	Green		Amber		Green	✓	The review highlighted there is no system to ensure the correct number of invoices have been printed.
	Adult Community Care	Follow up				Green	Amber	Green	✓	Actions relating to care invoicing are awaiting implementation of a new contract
	Vanguard Centre	UNPLANNED	Amber					Amber	✓	The review highlighted weaknesses in control over the tuck shop, vending machines, sales and income collection.
<b>Asset Management</b>	Statutory Compliance	C/F from 10/11	Green	Green		Green		Amber	✓	The review highlighted a lack of financial resources to undertake require works and the need for review of DDA reports.
	Conference Rooms	Follow up only	Amber	Green		Amber	Green		✓	Exceptions relating to usage of conference rooms are outstanding pending the accommodation review.
	Energy and Sustainability	Follow up only	Green		Green				N/A	All exceptions actioned.
	Concessions	Follow up only	Amber	Green	Green			Amber	✓	Actions relating income reconciliations and policy for street traders are not yet implemented.
<b>Audit &amp; Performance Improvement</b>	Carbon Reduction Commitment Scheme (with strategy)		Amber		Green		Amber	Green	✓	The review highlighted the need to improve communication between the Board and staff, there is no reconciliation between systems for utilities and the need to define responsibilities and roles for the project plan
	Intend System			Green	Red	Red			✓	Actions relating to disaster recovery, contractual support and system controls are yet to be fully actioned.
<b>Children's Social Care &amp; Safeguarding</b>	Skye Close			Amber			Green	Amber	✓	The review highlighted non-compliance with the financial rules for petty cash, purchase orders, inventory, purchase cards and vehicles.



	Beechside	Follow up		Green			Green	Amber	✓	The follow-up highlighted outstanding actions to address non-compliance with Financial Rules for inventory.
	Tangier Road	Follow up		Amber			Green	Amber	✓	The follow-up highlighted outstanding actions to address non-compliance with Financial Rules for purchase orders, inventory and vehicles.
	Foster Placements					Red			✓	The review highlighted that CRB checks were not being renewed on a 3 year cycle and that there is no formal mechanism to monitor the frequency and quality of foster carer supervision.
	Access to resources (devt of processes)		Red			Red			✓	The review highlighted that there are no formal procedures for referral to the family placement team. The quality of paperwork, timeliness of decisions and transparency were also highlighted as weaknesses
	Pocket Money - LAC		Amber					Amber	✓	The review highlighted inconsistencies in the pocket money process and recording of pocket money given.
	Boarding out and Fostering allowances		Green				Amber	Green	✓	The review highlighted the need for improvements in preventing overpayments.
	Support to Young people leaving care (Pathway plans)		Green	Green		Green	Green	Amber	✓	Potential breaches of some duties re Pathway Plans needing to be properly completed and reviewed.
<b>Culture</b>	Portsmouth Outdoor Centre		Green	Red			Green	Red	✓	The review highlighted that there are no formal procedures for monitoring that conditions of the lease are being complied with and that not all information required had been submitted by the lease holder.

	Archives		Amber				Amber	Amber	✓	The review highlighted a backlog in materials being accessioned, that there isn't a business continuity plan and a need to ensure compliance with the visitor policy.
	Schools library service (Peter Bone)		Green				Green		✓	
	Tree Management	follow up			Green			Green	N/A	All exceptions actioned.
<b>Customer, Community &amp; Democratic Services</b>	Members Expenses	follow up						Green	N/A	All exceptions actioned
	Register of Electors and Elections	follow up		Green				Amber	✓	Actions relating to employment checks and declarations to be completed.
	Corporate Branding		Green				Amber	Amber	✓	The review highlighted issues with ownership of the logo, websites not controlled by the Web Team and inconsistent use of the brand by some departments.
	Partnerships and third sector								N/A	The outcome of this project was to produce guidance for Voluntary and Community Organisations setting out the expectations of Portsmouth City Council in relation to demonstrating how well they are governed
<b>Education</b>	Out of School activities	Follow up		Green		Green		Red	✓	Actions relating to non-compliance with the Financial Rules for inventory are not yet been fully implemented.
	CIPs exit strategy		Amber				Amber	Amber	✓	The review highlighted the need to ensure decommissioning plan responsibilities are implemented including the remaining budgets and communication with stakeholders.
<b>External</b>	Langstone Harbour Board		Green	Green	Green	Green	Green	Green	N/A	No exceptions raised

<b>Finance</b>	Banking	follow up		Green		Amber			✓	Actions relating to bank reconciliations are not fully implemented.
	controlled stationery	follow up	Green	Green			Green	Green	N/A	All exceptions actioned
<b>Housing Management</b>	Cleaning		Green	Amber	Green	Green	Red	Green	✓	The review highlighted non-compliance with the Financial Rules for stock control and a lack of consistency in measuring performance.
	Under occupation scheme		Green			Green			N/A	No exceptions raised
	Play service (adventure playgrounds)	follow up	Amber	Red				Red	✓	Actions relating to the Play Policy, retention of records, access to sites, risk assessment and CRB checks are not yet action fully.
	Somerstown Project	follow up	Amber	Amber	Amber				✓	Actions relating to quality reporting and financial control reporting are not fully implemented
<b>Human Resources</b>	Recruitment of Children's Social Care Workers		Green	Green		Green		Amber	✓	The review highlighted that that evidence is not retained demonstrating that follow-up calls are made on references.
<b>Information Service</b>	IS Cheque Printing	Follow-up			Green		Green		N/A	All exceptions were actioned.
<b>Legal, Licensing &amp; registrars</b>	licensing	CRB checks						Amber	N/A	The review highlighted one area of non-compliance with the codes of practice.
<b>Planning</b>	s106 monies	follow up only						Amber	✓	Actions relating to acceptance of direct payments are in progress.
<b>Schools</b>	Court Lane Junior		Green	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for budget approval, petty cash, inventory and vehicles.
	St George Beneficial		Green	Green			Green	Amber	✓	The review highlighted one high risk exception in relation to compliance with Financial Rules for Inventory

	Meredith Infant		Green	Amber			Amber	Green	✓	The review highlighted improvements required to the School Improvement Plan and Inventory.
	Devonshire Infant		Green	Amber			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for Purchase Orders, Stock Control, Inventory and CRB retention.
	Copnor Infant		Green	Green	Green		Amber	Green	✓	The review highlighted non-compliance with the Financial Rules for Inventory.
	Somers Park Primary		Green	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for inventory, lettings and declarations of interest.
	Meon Infant		Green	Green	Green		Green	Amber	✓	The review highlighted non-compliance with the Financial Rules for Inventory and improvements required in the School Improvement Plan
	Copnor Junior		Green	Amber			Green	Amber	✓	The review highlighted non-compliance with the Financial Rules for Income, mini bus records and CRB retention.
	Victory Primary		Green	Green			Green	Amber	✓	The review highlighted non-compliance with the Financial Rules for petty cash and inventory.
	Gatcombe Park Primary		Green	Green			Green	Green	N/A	
	Manor Infant		Amber	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for decelerations of interest, CRB checks, budget approval, petty cash, inventory and income.
	Corpus Christi Primary		Green	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for budget setting, petty cash and inventory.

	Wimborne Junior		Amber	Green			Amber	Green	✓	The review highlighted the need for terms of reference for the Governing Body and non-compliance with Financial Rules for Inventory.
	St Judes CE Primary		Green	Green			Amber	Amber	✓	The review highlighted non-compliance with Financial Rules for lettings, income, petty cash and purchase cards.
	Wimborne Infant		Amber	Green			Amber	Amber	✓	The review highlighted evidence for CRB checks should be retained and non-compliance with the Financial Rules for purchase orders and inventory
	Craneswater Junior		Green	Amber			Amber	Amber	✓	The review highlighted non-compliance with the CRB policy and the Financial rules for charges, petty cash, purchase orders and inventory.
	Northern Parade Junior		Green	Amber			Amber	Amber	✓	The review highlighted non-compliance with the CRB policy, Data Protection registration requirements and the Financial Rules for petty cash, inventory and purchase cards.
	Charles Dickens Junior		Green	Green			Green	Amber	✓	The review highlighted non-compliance with the Financial rules for stock control, income, petty cash and vehicles. There is also non-compliance with the data protection requirements.
	Stamshaw Junior		Green	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for income, budget approval and inventory.

	Langstone Infant		Green	Amber			Amber	Green	✓	The review highlighted that the School Improvement Plan did not comply with the requirements in the Scheme for Financing Schools and non-compliance with the Financial Rules for Inventory
	Redwood Park		Green	Green			Green	Amber	✓	The review highlighted non-compliance with the Financial Rules for Petty Cash and the Scheme for Financing Schools in relation to budget approval.
	Langstone Junior		Green	Amber			Green	Green	✓	The review highlighted the School Improvement Plan did not include repairs and maintenance requirements
	St Edmunds	Unplanned	Amber	Amber		Amber	Red	Red	✓	The review highlighted improvements required to the documentation of the remit and training for senior staff. Non-compliance with the Financial Rules for Income, cash handling, stock control, inventory and vehicles.
<b>Transport &amp; Street Management</b>	Voluntary Drivers (Integrated Transport Unit)		Amber		Red		Red		✓	The review highlighted that CRB checks were not always carried out 3-yearly, paperwork was not in place for all journeys, risk logs needed updating, there is no succession planning and insurance certificate and schedule were not complete for all drivers.
	Abandoned Vehicles	follow-up only		Red	Amber				✓	The actions relating to two exceptions on income reconciliation and record of information on the software are in the process of being implemented.
	Operating Car Parks	follow-up only						Amber	✓	The action relating to income reconciliation is still in the process of being implemented.

	Safer Roads Partnership	Grant review						Green	N/A	No exceptions raised
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