



Agenda item:

Decision maker: Governance & Audit & Standards Committee

Subject: Audit Performance Status Report to 24th August for Audit Plan 2012/13

Date of decision: 27th September 2012

Report by: Chief Internal Auditor

Wards affected All

Key decision (over £250k) No

1. Summary

- 1.1 There is one new critical exception highlighted in this report.
- 1.2 Of the 139 planned Audits for 2012/13, 32% have been completed or are in progress as at 24th August 2012. A higher rate of achievement than for the same period for the last two years. This represents 17 audits (12%) where the report is finalised, 9 audits (6%) where the report is in draft form and 19 audits (14%) currently in progress, out of the 139 planned audits.
- 1.3 Areas of Assurance are shown on Appendix A.
- 1.4 162 days of reactive work has been undertaken to 24th August 2012, with 245 days set aside in the 2012/13 Audit Plan.

2. Purpose of report

- 2.1 This report is to update the Governance and Audit Committee on the Internal Audit Performance for 2012/13 to 24th August 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 2012/13 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 27 January 2012 and following consultation with Heads of Services, Strategic Directors and the Chair of this Committee.

4. Recommendations

- 4.1 That Members note the Audit Performance for 2012/13 to 24th August 2012.
- 4.2 That the highlighted areas of control weakness for the 2012/13 Audit Plan are noted by Members.

5. Audit Plan Status 2012/13 to 24th August 2012

Percentage of approved plan completed

- 5.1 32% of the annual audit plan has been completed or is in progress at 24th August 2012. This is a higher rate of achievement than for the same period for the last two years (see the table at 5.10). This represents 17 audits (12%) where the report is finalised, 9 audits (6%) where the report is in draft form and 19 audits (14%) currently in progress, out of the 133 planned audits. Appendix A shows the completed audits for 2012/13.
- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits is contained in Appendix A.

Reactive Work

- 5.3 245 days have been allowed for reactive work and investigations in 2012/13 and 162 days have been used to 24th August 2012.
- 5.4 The 162 reactive days were used for completion of 20 carried forward audits, 3 carried forward special investigation, 4 new special investigations, 1 unplanned item and 24 items of advice.
- 5.5 Special Investigations work undertaken in 2012/13 can be categorised as follows: Three carried forward and four new special investigations including:
- 3 Whistleblowing investigations
 - 3 Financial investigations
 - 1 Forensic PC Examination
- 5.6 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:
- LEP Start up Grant review.

Exceptions

- 5.7 Of the programmed reviews completed so far this year the number of exceptions in each category have been:
- 1 Critical
 - 16 High Risk
 - 0 Medium Risk
 - 0 Low Risk (Improvements)
- 5.8 Overall, the areas of the control framework referred to as Internal control environment and compliance with laws, regulations, rules, procedures and contract conditions are showing as being the weakest areas of assurance.
- 5.9 The table below is a comparison of the audit status figures, for August for this financial year and the previous two years.

	2010/11	2011/12	2012/13
% of the audit plan progressed	16%	29%	32%
No. of Critical exceptions	6	0	1
No. of High risk exceptions	40	35	16
No. of reactive days	247	228	162

6. Areas of Concern

Concerns identified since the last meeting

6.1 There is one new area of concern (critical exception) highlighted in finalised 2012/13 Audit Reports:

6.2 Client Affairs

6.2.1 The Client Affairs Team (Financial Services) take responsibility for the finances of Social Care clients who are incapable of managing their own affairs, acting as their Deputy through an application to the Court of Protection. A Deputy makes ongoing decisions on behalf of a person who lacks capacity, in relation to either the person's personal welfare or property and affairs.

6.2.2 An objective of the audit was to ensure that there were adequate procedures and controls in place for Client Affairs Officers to search properties and remove items.

6.2.3 It was confirmed that there were no formalised procedures on how to deal with client property searches or records that need to be kept.

6.2.4 The Financial Assessments, Income & Recovery Team Leader has confirmed that there is now a formalised procedure in place that covers client property searches and also a template for recording items that have been removed from clients' homes. A copy has been provided to Internal Audit and a future Audit will review its contents for effectiveness.

7. Comments on Plan to date

7.1 Whilst a critical exception has been identified the number of high risk exceptions found is down in comparison to the same period for the last two years, whilst a higher number of audits have been carried out. From this it would seem that the level of internal control is generally improving.

7.2 There is an Internal Audit vacancy which the Members Panel has agreed can be filled for this year. The post has been split into two 6 month temporary contracts. It is proposed to try and fill one post with a secondment from Finance, as a development opportunity and the other with a graduate or similar. At this stage it is not known if a permanent post will remain and this Committee will be advised of this and any impacts, prior to the next year's proposed Audit Plan.

8. Equality impact assessment (EIA)

- 8.1 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.

9. City Solicitor's Comments

- 9.1 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.
- 9.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

10. Head of Finance & S151 Officer Comments:

- 10.1 There are no financial implications arising from the recommendations set out in this report.
- 10.2 The S151 Officer is content that the progress against the Annual Audit Plan and the agreed actions 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 2012/13

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 2012/13	Internal Audit
3 CIPFA Code of Practice for Internal Audit 2006	Internal Audit
4 Previous Audit Performance Status and	Internal Audit

	other Audit Reports	
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 27th September 2012.

Appendix A - 2012-13 Audit Plan

Assurance

		Internal Control Environment	Monitoring and evaluation	Reliability and Integrity	Effectiveness of ops	Safeguarding of assets	Compliance with Laws, Regs, Rules, Procedures and contract conditions	Actions agreed	Summary of areas where no assurance can be given
Service	Function								
Adult Social Care	Vanguard Centre	Green					Amber	✓	On areas tested the review highlighted non-compliance with the Financial Rules for purchase orders, cash handling and inventory
Follow ups	Shearwater	Green	Green				Green	N/A	All exceptions had been actioned
Adult Social Care – Finance Team	Client Affairs	Red	Green		Green		Amber	✓	The review highlighted that there were no formalised procedures for client property searches or the records needing to be kept. There was also no record kept to show why a particular estate agent had been used.
	Deferred payments scheme	Amber	Green				Green	✓	The review highlighted that there is no process to ensure that property valuations are updated.
Housing - Follow ups	Mobile Homes follow up	Green					Green	N/A	All exceptions actioned
Children’s Social Care & Safeguarding	Foster Carer Recruitment	Green	Green	Green			Green	N/A	No exceptions raised
	Recruitment of adopters	Green	Green				Green	N/A	No exceptions raised

	Cases in legal proceedings	Amber	Amber		Red		Amber	✓	The review highlighted that there was no SLA with Legal Services and key documentation was not always being provided for Legal privilege meetings. Decisions made were not always being actioned in a timely manner and the monitoring process was not as effective as it could be. Staff had not received recent training on care proceedings
Follow ups	Fostering Allowances	Green				Amber		✓	Actions relating to Finance returns have not been completed.
	Pocket Money	Green					Amber	✓	Actions relating to the paperwork for pocket money have not been completed.
	Skye Close	Green	Green				Green	N/A	All exceptions had been actioned
Education	Supply Teachers	Green	Green				Green	N/A	No exceptions raised.
	Safeguarding	Green	Green				Green	N/A	No exceptions raised.
IS	Disposal of equipment	Amber				Red	Green	✓	The review highlighted that the redeployment inventory was not accurate and the management trail for some of the disposals tested was incomplete.
	Modern Records Service (MRS) storage	Green	Green			Amber	Amber	✓	The review highlighted that agency workers had not signed the code of conduct declaration and access to the MRS database was not adequately controlled.
External	Langstone Harbour Board							✓	Completed and report issued to the board