

Decision maker: Governance & Audit & Standards Committee

Subject: Audit Performance Status Report to 5th October 2012 for Audit Plan 2012/13

Date of decision: 15th November 2012

Report by: Chief Internal Auditor

Wards affected All

Key decision (over £250k) No

1. Summary

- 1.1 There are no new critical exceptions highlighted in this report.
- 1.2 Of the 136 planned Audits for 2012/13, 53% have been completed or are in progress as at 5th October 2012. A higher rate of achievement than for the same period for the last two years. This represents 33 audits (24%) where the report is finalised, 7 audits (5%) where the report is in draft form and 32 audits (24%) currently in progress.
- 1.3 Areas of Assurance are shown on Appendix A.
- 1.4 171 days of reactive work has been undertaken to 5th October 2012, with 245 days set aside in the 2012/13 Audit Plan.
- 1.5 The Audit Charter and Terms of Reference have been updated to reflect changes in the Organisation but further changes may occur with the introduction of new national Auditing Standards.

2. Purpose of report

- 2.1 This report is to update the Governance and Audit and Standards Committee on the Internal Audit Performance for 2012/13 to 5th October 2012 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework and to advise on changes in the Audit Charter and Terms of Reference and new national Auditing Standards to be published.

3. Background

- 3.1 The Annual Audit Plan for 2012/13 was 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 5th October 2012.

- 4.2 That Members note the highlighted areas of control weakness for the 2012/13 Audit Plan.
- 4.3 That Members note the changes to the Audit Charter and Terms of Reference and the impending new National Auditing Standards.

5. Audit Plan Status 2012/13 to 5th October 2012

Percentage of approved plan completed

- 5.1 Of the 136 planned Audits for 2012/13, 53% have been completed or are in progress as at 5th October 2012. A higher rate of achievement than for the same period for the last two years. This represents 33 audits (24%) where the report is finalised, 7 audits (5%) where the report is in draft form and 32 audits (24%) currently in progress. 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 171 days have been used to 5th October 2012.
- 5.4 The 171 reactive days were used for completion of 20 carried forward audits, 3 carried forward special investigation, 4 new special investigations, 1 unplanned item and 25 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:
- The Local Enterprise Partnership (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
 - 48 High Risk
 - 0 Medium Risk
 - 3 Low Risk (Improvements)

- 5.8 Overall, there are two areas of the control framework that are showing as being the weakest areas of assurance:
- safeguarding of assets
 - and compliance with laws, regulations, rules, procedures and contract conditions
- 5.9 The table below is a comparison of the audit status figures, for October for this financial year and the previous two years.

	2010/11	2011/12	2012/13
% of the audit plan progressed	40%	41%	53%
No. of Critical exceptions	0	0	1
No. of High risk exceptions	76	41	48
No. of reactive days	299	242	171

6. Areas of Concern

Concerns identified since the last meeting

- 6.1 There are no new areas of concern (critical exceptions) highlighted in finalised 2012/13 since the previous report to this Committee.

7. Review of 2012/13 Audit Plan

- 7.1 The 2012/13 Audit plan has been reviewed by the Chief Internal Auditor. The review is undertaken each October and takes into account any changes to priorities or activities since the formation of the Audit Plan in March. The outcome of the review is that one Audit is to be removed from this year's plan namely The Community Infrastructure levy (CIL) which replaced s106 payments re planning. This is because whilst a process is in place for the new type of payments, none have been received so there is nothing to test. Even if there were to be some activity it is unlikely to be more than one or two payments which would not be sufficient to adequately review.

8. Audit Charter and Terms of Reference

- 8.1 The Audit Charter and Terms of Reference which set out the roles, scope and responsibilities of Internal Audit to the organisation as well as the responsibilities of the organisation to Internal Audit, have been updated to reflect changes in the organisation e.g. S151 Officer and Head of Service changes. CIPFA have set the standards for Internal Audit in the Public Sector and the Institute of Internal Auditors (IIA) has set global standards. CIPFA and the Institute of Internal Auditors UK have worked together to introduce one code of practice and standards which will have a further impact on the Audit Charter and Terms of Reference.
- 8.2 The new Standards are just about to be published so any changes will be reported to this Committee once they are known.

9. Equality impact assessment (EIA)

- 9.1 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.

10. City Solicitor's Comments

- 10.1 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.
- 10.2 Where system weaknesses have been identified he is satisfied that the appropriate steps are being taken to have these addressed.

11. Head of Finance & S151 Officer Comments:

- 11.1 There are no financial implications arising from the recommendations set out in this report.
- 11.2 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 2	http://www.legislation.gov.uk/ukxi/2011/817/contents/made
3 Audit Strategy 2011/12 and Audit Plan 2012/13	http://www.portsmouth.gov.uk/media/ga20120127r6.pdf http://www.portsmouth.gov.uk/media/ga20120628r6.pdf
4 CIPFA Code of Practice for Internal Audit 2006	Published by CIPFA not available online. Copy held in Internal Audit
5 Previous Audit Performance Status and other Audit Reports	Refer to Governance and Audit and Standard meetings – reports published online http://www.portsmouth.gov.uk/yourcouncil/10349.html

6	Audit Charter and Terms of Reference	Not currently on-line available from Internal Audit
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The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Governance & Audit Committee on 15th November 2012.

Appendix A - 2012-13 Audit Plan

		Assurance								
Service	Function	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	
Adult Social Care	Help in the Home contract	Amber	Green		Green	Green	Amber	✓	The review highlighted that that the 3rd sector organisation did not have a strategy in place to mitigate reducing PCC funding. The contract had not been referred to Legal for review before being entered into as required by the Contract Procedure Rules.	
	Vanguard Centre	Green					Amber	✓	The review highlighted non-compliance with the Financial Rules for purchase orders, cash handling and inventory	
	Residential and day care		Green		Amber	Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for income collection, purchase orders, petty cash & inventory.	
Follow ups	4. Shearwater	Green	Green				Green	N/A	All exceptions had been actioned	
	5. Edinburgh House					Green	Amber	✓	Actions relating to compliance with Financial Rules for inventory and income collection are not fully implemented.	
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 property valuations are not updated.	

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Housing Management	3. Mobile Homes follow up	Green	Green					N/A	All exceptions had been actioned
Revenues & Benefits	Housing Benefits	Green				Green	Green	✓	N/A
Children's Social Care & Safeguarding	Residential Homes & family centres		Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for cash handling, petty cash & Inventory. The review also highlighted non-compliance with the Driving at Work Policy.
Looked after Children	Foster Carer Recruitment	Green	Green	Green			Green	N/A	No exceptions raised
	Recruitment of adopters	Green	Green				Green	N/A	No exceptions raised
Assessment & Intervention	Family Support Team	Green			Green		Amber	✓	The review highlighted non compliance with some aspects of the Children in Need Procedures.
	Cases in legal proceedings	Amber	Amber		Red		Amber	✓	The review highlighted that there is no SLA with Legal Services, key documentation was not always being provided for Legal privilege meetings. Decisions made were not being actioned in a timely manner and the monitoring process was not effective. Staff have not received recent training on care proceedings
IYSS	Outdoor Education Centre	Amber				Red	Amber	✓	The review highlighted non-compliance with the Financial Rules for inventory & purchase orders.
Follow ups	1. Support to Young People Leaving Care						Amber	✓	Action relating to the signing of plans by young people was not fully implemented.
	2. Fostering Allowances	Green				Amber		✓	Actions relating to Finance returns has not been completed.
	3. Pocket Money	Green					Amber	✓	Actions relating to the paperwork for pocket money have not been completed.
	5. Skye Close	Green	Green				Green	N/A	All exceptions had been actioned

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	6. Lightfoot Lawn		Amber				Green	✓	Actions relating to the mini-bus & MIDAS training were not fully actioned.	
Education	Supply Teachers	Green	Green				Green	N/A	No exceptions raised.	
	Safeguarding	Green	Green				Green	N/A	No exceptions raised.	
	Resilience	Red			Red		Green	✓	Testing highlighted that 56% of the schools sampled did not have an adequate resilience plan in place	
Audit and Performance Improvement	Carbon Reduction Programme	Green			Green			N/A	No exceptions raised.	
Traffic and Environment	Integrated Transport Unit	Advice to project only								
IS	Disposal of equipment	Amber				Red	Green	✓	The review highlighted that the redeployment inventory was not accurate and the management trail for disposal	
	Physical security	Green	Green		Amber	Red		✓	The review highlighted improvements required to physical access controls.	
Follow ups	1. Archiving/ back ups		Amber				Amber	✓	Actions relating to storage and retention of data are not yet completed.	
	2. Scala		Amber			Green		✓	Action relating to the storage of backups has not yet been completed.	
Asset Management	Modern Records Service 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.	
HR	Conduct and ethical behaviour	Green	Amber				Amber	✓	The review highlighted inconsistencies across Services in relation to compliance with the PDR Policy, completion of Code of Conduct form and Anti Fraud, Bribery & Corruption Training.	
Corporate	Safeguarding	Green	Red				Amber	✓	The review highlighted that for some of the volunteers tested adequate safeguarding checks could not be evidenced.	

Appendix A - 2012-13 Audit Plan

External	Langstone Harbour Board							Completed and report issued to the board
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