

<b>Decision maker:</b>	Governance & Audit & Standards Committee
<b>Subject:</b>	Audit Performance Status Report to 14 <sup>th</sup> December 2012 for Audit Plan 2012/13 and Audit Strategy 2013/14
<b>Date of decision:</b>	24 <sup>th</sup> January 2013
<b>Report by:</b>	Chief Internal Auditor
<b>Wards affected</b>	All
<b>Key decision (over £250k)</b>	No

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## 1. Summary

- 1.1 There are no new critical exceptions highlighted in this report.
- 1.2 Of the 131 planned Audits for 2012/13, 63% have been completed or are in progress as at 14<sup>th</sup> December. A higher rate of achievement than for the same period for the last two years. This represents 42 audits (32%) where the report is finalised, 13 audits (10%) where the report is in draft form and 27 audits (21%) currently in progress. Six audits have been deferred to next year.
- 1.3 Areas of Assurance are shown on Appendix A.
- 1.4 213 days of reactive work have been undertaken to 14<sup>th</sup> December 2012, with 245 days set aside in the 2012/13 Audit Plan.
- 1.5 The proposed Audit Strategy for Audit coverage for 2013/14 is attached as Appendix B to this report.

## 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 14<sup>th</sup> December 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 the proposed Audit Strategy for the 2013/14 Plan.

## 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 14<sup>th</sup> December 2012.

- 4.2 That Members note the highlighted areas of control weakness for the 2012/13 Audit Plan.
- 4.3 That Members approve the proposed Audit Strategy for the use of Audit resources for 2013/14

## 5. **Audit Plan Status 2012/13 to 14<sup>th</sup> December 2012**

### **Percentage of approved plan completed**

- 5.1 Of the 131 planned Audits for 2012/13, 63% have been completed or are in progress as at 14<sup>th</sup> December. A higher rate of achievement than for the same period for the last two years. This represents 42 audits (32%) where the report is finalised, 13 audits (10%) where the report is in draft form and 27 audits (21%) 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.
- 5.3 Six audits have been deferred from the 2012/13 Audit Plan to 2013/14:
  - 5.3.1 **Special Education Needs** – It has been agreed with the Head of Education that this audit be deferred to 2013/14 due to changes in the funding formula which is effective from 2013/14.
  - 5.3.2 **Risk assessments for outlying buildings** – The Health & Safety Manager is in the process of updating the relevant Health & Safety policies, it has therefore been agreed that the audit be deferred to 2013/14 so that compliance with the new policy can be assessed as part of the audit.
  - 5.3.3 **Parking: Closure of front desk** – This was put forward as a budget saving but has been deferred to 2013/14
  - 5.3.4 **Asbestos** – There is a new corporate approach currently being introduced so the Audit is deferred to early in the 2013/14 Plan
  - 5.3.5 **Section 75 Agreements** – There are 3 S75 agreements in place with the PCT, 2 of which have been previously audited and the third came into effect on 1/10/12, a further S75 agreement will come into effect on 1/4/13. It is therefore proposed that the audit is deferred until 2013/14 to allow for the agreements to bed in and to review all of them at once.
  - 5.3.6 **Community Infrastructure Levy (CIL)** – As previously reported to this committee this has been deferred to 2013/14 as no payments have yet been made.

### **Reactive Work**

- 5.4 245 days have been allowed for reactive work and investigations in 2012/13 and 213 days have been used to 14<sup>th</sup> December 2012.

- 5.5 The 213 reactive days were used for completion of 20 carried forward audits, 3 carried forward special investigation, 9 new special investigations, 1 unplanned item and 27 items of advice.
- 5.6 Special Investigations work undertaken in 2012/13 can be categorised as follows: Three carried forward and nine new special investigations including:
- 4 Whistleblowing investigations
  - 7 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:
- The Local Enterprise Partnership (LEP) Start up Grant review.

### **Exceptions**

- 5.8 Of the programmed reviews completed so far this year the number of exceptions in each category have been:
- 1 Critical
  - 62 High Risk
  - 8 Medium Risk
  - 4 Low Risk (Improvements)
- 5.9 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
- 5.10 The table below is a comparison of the audit status figures, for December for this financial year and the previous two years.

	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
<b>% of the audit plan progressed</b>	57%	57%	63%
<b>No. of Critical exceptions</b>	0	1	1
<b>No. of High risk exceptions</b>	97	88	62
<b>No. of reactive days</b>	336	281	213

## **6. Areas of Concern**

### **Concerns identified since the last meeting**

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

## **7. Proposed Audit Strategy 2013/14**

- 7.1 The Chief Internal Auditor is required to produce an Annual Plan for each financial year to give a sufficient review of the Authority's functions in order to form an annual opinion on the effectiveness of the control framework. The purpose of the Strategy is to set out the strategic approach that will allow this to be managed.
- 7.2 The proposed Strategy is attached as Appendix B to this report. It defines:
- the service provision,
  - how the functions are to be identified and risk assessed for inclusion in the Plan
  - and the activities that are required to be carried out regardless of risk.

## **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  
Appendix B – Proposed Audit Strategy 2013/14

### **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	<a href="http://www.legislation.gov.uk/ukxi/2011/817/contents/made">http://www.legislation.gov.uk/ukxi/2011/817/contents/made</a>
3 Audit Strategy 2011/12 and Audit Plan 2012/13	<a href="http://www.portsmouth.gov.uk/media/ga20120127r6.pdf">http://www.portsmouth.gov.uk/media/ga20120127r6.pdf</a> <a href="http://www.portsmouth.gov.uk/media/ga20120628r6.pdf">http://www.portsmouth.gov.uk/media/ga20120628r6.pdf</a>
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 <a href="http://www.portsmouth.gov.uk/yourcouncil/10349.html">http://www.portsmouth.gov.uk/yourcouncil/10349.html</a>
6 Audit Charter and Terms of Reference	Not currently on-line available from Internal Audit