

Decision maker: Governance & Audit & Standards Committee

Subject: Audit Performance Status Report to 15th February 2013 for Audit Plan 2012/13 and Proposed Audit Coverage update for 2013/14

Date of decision: 14th March 2013

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 128 revised planned Audits for 2012/13, 91% have been completed or are in progress as at 15th February. A higher rate of achievement than for the same period for the last two years. This represents 67 audits (52%) where the report is finalised, 19 audits (15%) where the report is in draft form and 31 audits (24%) currently in progress. Three additional audits have been deferred to next year.
- 1.3 Areas of Assurance are shown on Appendix A.
- 1.4 234 days of reactive work have been undertaken to 15th February 2013, 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 and Standards Committee on the Internal Audit Performance for 2012/13 to 15th February 2013 against the Annual Audit Plan, highlight areas of concern and areas where assurance can be given on the internal control framework and advise on progress for the 2013/14 Audit 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. This Committee also approved the Audit Strategy for the 2013/14 Plan at their meeting in January 2013.

4. Recommendations

- 4.1 That Members note the Audit Performance for 2012/13 to 15th February 2013.

- 4.2 That Members note the highlighted areas of control weakness for the 2012/13 Audit Plan.
- 4.3 That Members note the progress on the 2013/14 Audit Plan compilation.

5. **Audit Plan Status 2012/13 to 15th February 2013**

Percentage of approved plan completed

- 5.1 Of the 128 revised planned Audits for 2012/13, 91% have been completed or are in progress as at 15th February. A higher rate of achievement than for the same period for the last two years. This represents 67 audits (52%) where the report is finalised, 19 audits (15%) where the report is in draft form and 31 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.
- 5.3 Three audits have been deferred from the 2012/13 Audit Plan to 2013/14:
- 5.3.1 **Corporate Funding Allocations** – The project for the New Theatre Royal is at an early stage so the Audit has been carried forward to 2013/14
- 5.3.2 **Cashiers Complex** – Audit deferred to 2013/14 to allow building works to be completed.
- 5.3.3 **Local Enterprise Partnership** – An audit was going to be carried out of governance in 2012/13 and funding in 2013/14 it has been decided to amalgamate these into one review for early 2013/14

Reactive Work

- 5.4 245 days have been allowed for reactive work and investigations in 2012/13 and 234 days have been used to 15th February 2013.
- 5.5 The 234 reactive days were used for completion of 20 carried forward audits, 3 carried forward special investigation, 11 new special investigations, 1 unplanned item and 31 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
 - 9 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
- 93 High Risk
- 15 Medium Risk
- 4 Low Risk (Improvements)

5.9 The compliance areas of the control framework that are showing as being the weakest are still being reviewed and will be reported on as part of the Compliance with Financial Rules Audit but can be themed as:

- Expense claims e.g. mileage claims not being properly completed e.g. no start or end mileage or destinations or reasons for journeys
- Purchase Orders not raised before invoices are received
- Reconciliations not being carried out or not being carried out regularly
- Fees and Charges not being properly approved.

5.10 Testing is still being undertaken in some areas and the full report is due to be issued shortly.

5.11 The table below is a comparison of the audit status figures, for December for this financial year and the previous two years.

	2010/11	2011/12	2012/13
% of the audit plan progressed	81%	71%	91%
No. of Critical exceptions	2	3	1
No. of High risk exceptions	120	125	93
No. of reactive days	352	305	234

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. Progress on compiling the Audit Plan 2013/14

7.1 The Audit Plan for 2013/14 is in draft and consultation is on-going with the Chair, s151 Officer, Strategic Directors and Heads of Services. Currently there are 520 areas in the Audit Universe and 126 of these have been identified as high risk or audits that must be completed regardless of risk (as per the Audit Strategy approved by Members January 27th 2013) with an additional 12 on-going areas (such as counter fraud work) and 5 audits for other organisations.

7.2 Consultation tests the risk levels and whether all items have been included in the Audit Universe and once consultation is complete and the Audit Plan determined the full audit coverage and resource will be included in the next report to this Committee.

8. Equality impact assessment (EIA)

8.1 The contents of this report do not have any relevant equalities impact and therefore an equalities 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 2	http://www.legislation.gov.uk/uksi/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 Audit Strategy 2013/14	http://www.portsmouth.gov.uk/media/gas20130124r7appB.pdf

5	CIPFA Code of Practice for Internal Audit 2006	Published by CIPFA not available online. Copy held in Internal Audit
6	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
7	Audit Charter and Terms of Reference	Not currently on-line available from Internal Audit

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	Self-directed support -individual budgets	Green	Amber				Amber	✓	The review highlighted non compliance with the individual budget procedures and that the monitoring procedure is not operating effectively.
	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.
	Carer's Service	Green			Green		Amber	✓	The review highlighted improvements in the storage of documents held both manually and electronic
	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.
	Hospital based social care teams				Amber			✓	A process review was carried out which suggested improvements to forms, social work and admin processes.
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.
	Financial planning for Social Care expenditure	Green					Green	N/A	No exceptions were raised.
	Deferred payments scheme	Amber	Green				Green	✓	The review highlighted that property valuations are not updated.
Housing Management	Gas servicing	Green	Green				Green	N/A	No exceptions raised
	Homelessness		Green		Amber		Amber	✓	The review highlighted non-compliance with the Secretary of State's order in relation to suitability of accommodation and void periods in temporary accommodation
Follow- ups	2. Mobile Homes follow up	Green	Green					N/A	All exceptions had been actioned
Customer Community and Democratic Services	1. Corporate Branding					Green	Green	N/A	All exceptions had been actioned
	2. Coffee Shops (The View and Southsea)	Green	Amber			Green	Green	✓	One exception relating to the budget is in progress
Revenues & Benefits	Council Tax				Amber		Amber		The review highlighted that the previous exception in relation to user accounts had not been implemented and write offs in the software did not require authorisation
	NNDR	Green	Green		Amber		Amber	✓	
	Housing Benefits	Green				Green	Green	✓	N/A

	Counter Fraud	Green	Amber		Green		Amber	✓	The review highlighted that a small sample of cases had not been progressed completely in a timely manner and evidence for authorisation of sanction was not always retained.
	Debt recovery	Green	Green	Green	Amber		Green	✓	The review highlighted that not all staff had completed mandatory training
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
	Beechside		Amber		Green	Green	Green	✓	The review highlighted that mandatory training had not been completed by all staff.
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	Duke of Edinburgh Scheme	Green	Green			Amber	Amber	✓	The review highlighted non-compliance with the Financial Rules for inventory, purchase orders and purchase cards
	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.
	4. Foster Placements				Green			N/A	All exceptions had been actioned
	5. Skye Close	Green	Green				Green	N/A	All exceptions had been actioned
	6. Lightfoot Lawn		Amber				Green	✓	Actions relating to the mini-bus & MIDAS training were not fully actioned.
Education	Springfield - Full School Audit	Green	Green	Green	Green	Green	Amber	✓	The review highlighted non-compliance with the Financial Rules for Mini buses and non-compliance with the Scheme for Financing Schools in relation to submitting unofficial fund certificates and meeting the deadline for submission of the revised budget.
	City Girls - Full School Audit	Green	Amber	Amber	Green	Amber	Amber	✓	The review highlighted non-compliance with Financial Rules for income, petty cash, purchase cards, minibus and inventory
	Supply Teachers	Green	Green				Green	N/A	No exceptions raised.
	VAT	Amber			Green		Amber	✓	The review highlighted instances where VAT was not applied correctly.
	IT	Amber	Green	Amber			Amber	✓	The review highlighted exceptions in relation to web filtering and login in accounts for ex-employees.
	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.	
Community Housing and Regeneration	Community Funerals	Red	Amber		Green	Amber	Amber	✓	The review highlighted improvements required to the policy, storage of items, compliance with the policy and succession planning.	
	Citizens Advice Bureau - Partner Portal						Amber	✓	The review highlighted non-compliance with the agreement in relation to record keeping.	
Traffic and Environment	Integrated Transport Unit	Advice to project only								
	Sea Defences	Green	Green		Amber		Green	No	The review highlighted that there was no client monitoring officer in post. No response was received from management	
Culture	Pyramids	See report to Full Council								
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.	
	Network Management (was change control)	Green				Amber	Amber	✓	The review highlighted improvements to administrator accounts and password expiry	
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.	
Finance	Main Accounting	Green	Amber	Green	Amber		Green	✓	The review highlighted that 2 suspense account balances had not been cleared on an annual basis.	

	Cash Collection	Amber	Amber	Amber		Amber	Amber	✓	The review highlighted that there was no record of counterfeit notes, cash handling instructions had not been signed by all staff, panic alarm testing not completed, breach of insurance requirements and non-compliance with the anti-money laundering policy.	
	Treasury Management		Green			Green	Green	N/A	No exceptions were raised	
	Debt recovery	Red	Red		Red		Red	✓	The review highlighted that policies were not up to date, non-compliance with policies in relation to debt recovery and write off, improvements required to separation duties, management oversight and mandatory training was not completed by all staff	
	Oracle upgrade	Advice to upgrade project only								
Asset Management	Disposal of confidential waste	Green	Green			Green	Amber	✓	The review highlighted non-compliance with the procedures in relation to some of the confidential waste bins.	
	Annual Condition surveys	Green	Green	Green			Green	N/A	No exceptions raised	
	Modern Records Service	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	Absence management		Amber	Amber	Amber			✓	The review highlighted that absence reports only monitored sickness, sickness records were not closed in timely manner - affecting reported figures. It was not possible to give assurance that absence records were reliable or accurate.	

	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	Social Enterprises	Watching brief only, assess when cases develop								
	Policies	Advice to PolicyHub Board only								
	Safeguarding	Green	Red				Amber	✓	The review highlighted that for some of the volunteers tested adequate safeguarding checks could not be evidenced.	
	Security Reviews	Green	Amber				Amber	✓	The review highlighted non-compliance with the Clear Desk, Clear Screen Policy	
External	Langstone Harbour Board	Completed								Completed and report issued to the board