

Decision maker:	Governance & Audit & Standards Committee
Subject:	Audit Performance Status Report to 18 th October 2013 for Audit Plan 2013/14
Date of decision:	7 November 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 for 2013/14 Audit Plan.
- 1.2 There are 155 planned Audits for 2013/14 made up of 127 new reviews and 28 follow up audits. Of these 76 (49%) have been completed or are in progress as at 18th October 2013. This represents 37 audits (24%) where the report has been finalised, 7 audits (5%) where the report is in draft form and 32 audits (20%) currently in progress.
- 1.3 In addition to the planned audits there are 12 areas of on-going work and 5 of continuous audits which contribute to risk assurance.
- 1.4 Areas of Assurance are shown in Appendix A.
- 1.5 166 days of reactive work have been undertaken to 18th October 2013, with 245 days set aside in the 2013/14 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 2013/14 to 18th October 2013 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 2013/14 has been drawn up in accordance with the agreed Audit Strategy approved by this Committee on 24 January 2013 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 2013/14 to 18th October 2013.

- 4.2 That Members note the highlighted areas of control weakness for the 2013/14 Audit Plan.
- 4.3 That Members note the changes in the Audit Plan.

5. Audit Plan Status 2013/14 to 18th October 2013

Percentage of approved plan completed

- 5.1 49% of the annual audit plan has been completed or is in progress as at 18th October 2013, slightly below the equivalent period last year but the same as the year before. Despite some already significant time spent on special investigations, providing there is not a significant number of further ones, there is currently no reason why the Plan cannot still be met. Appendix A shows the completed audits for 2013/14. This percentage is made up as follows;
- 32 new reviews (21%) where the report is finalised, 7 (4%) in draft form and 29 (19%) currently in progress.
 - 5 planned follow ups (3%) where the report is finalised and 3(2%) work in progress.
- 5.2 As requested by Members of the Committee a breakdown of the assurance levels on completed audits is contained in Appendix A.

Changes to the Audit Plan

- 5.3 In total there are now 155 Audits in the Plan as opposed to 156 originally.
- 5.4 A Transformation review audit has been removed from the 2013/14 audit plan. The transformation programme has been successful in delivering significant savings, but much of the activity has now become business as usual. Current transformation work includes significant projects just as Working Anywhere, Social Work Matters and Super-Connected Cities. Where necessary, these will be subject to a separate audit.
- 5.5 An additional follow up of the Family Support Team Audit has been added to the 2013/14 audit plan.
- 5.6 LSFT Grant, to do with Transport has been added to the 2013/14 audit plan as it is a requirement of the grant conditions that it is audited prior to the return to the relevant Government Department.
- 5.7 The MMD audit programme was previously reported as 4 Full Audits and 4 Follow up audits. This has now been finalised and will consist of 2 Full Audits and 5 Follow up audits.
- 5.8 The Audit of Trusts is part of the annual audit plan. At planning stage the Council was undertaking a number of pieces of financial, legal and other work on behalf of various trusts. The undertaking of the work was mainly historical and work was being carried out for no charge.

The audit was set to take place in September and ground work across the Council services determined what work the council still carries out on behalf of Trusts.

It appears that most of the Trust work has or is now in the process of being handed back to Trusts to undertake themselves. Some work is undertaken by services for Academies which is carried out on an SLA/charged basis. There is also a new arrangement with The New Theatre Royal for which the audit planning work has prompted some valuable discussion.

As there is an absence of trusts to effectively conduct an audit assignment, the audit is being taken out of the audit plan. Internal Audit will however pursue the New Theatre Royal Trust as a separate piece of work and consider whether there should be a strategy for taking on additional responsibilities of this nature to ensure that requests (usually by members or by trusts) are dealt with consistently. As grant income is being cut there may be new demands for some kind of service in kind, which could put the Council back to where they were a short while ago with a number of responsibilities on behalf of third parties.

The risks are around the Council's liability for areas of work they have no control over and also putting council employees into a position where they may have a conflict of interest as they would (if they were a trustee, have to work in the Trust's best interest as well as the Council's best interest as a council employee and there may be conflicts).

Reactive Work

5.9 245 days have been allowed for reactive work and investigations in 2013/14 and 166 days have been used to 18th October 2013.

5.10 The 166 reactive days were used for:

- 13 special investigations
- 32 items of advice

As well as the following unplanned reviews:

- DECC LA Fuel Poverty Grant
- Troubled Families Grant
- Energy & Climate Change Grant
- Pilots National Pension Fund verification of contributions

Exceptions

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

- 2 Critical
- 89 High Risk
- 19 Medium Risk
- 4 Low Risk (improvements)

5.12 The table below is a comparison of the audit status figures, up to August 2013 for this financial year and the previous two years.

	2011/2012	2012/2013	2013/14
% of the audit plan progressed	41%	53%	49%
No. of Critical exceptions	0	1	2
No. of High risk exceptions	41	48	89
No. of reactive days	242	171	166

*52 of the high risk exceptions relate to Schools where full review programmes are being carried out in 2013/14 that were not carried out in the previous two years.

On-going Areas

- 5.13 The following 12 areas are on-going areas of work carried out by Internal Audit;
- Regulation of Investigatory Powers Act (RIPA)- authorisations and training
 - Anti-Money Laundering review of Policy and training
 - Investigations (included in the 245 days of reactive work)
 - Financial Rules, review, waivers, training
 - National Fraud Initiative (NFI) to facilitate national data matching carried out by the Audit Commission
 - Internal Data Matching of the Council's own data
 - National Anti-Fraud Network (NAFN) bulletins and intelligence follow up
 - Counter Fraud Programme
 - Policy Hub project to ensure that all Council policies are held in one place and staff are notified of the policies relevant to them
 - G&A&S Committee reporting and attendance and Governance, Audit Planning and Consultation
 - Risk Management

Continuous Audit Areas

- 5.14 The following 5 areas are subject to continuous audit (i.e. regular check to controls) and feed into overall assurance;
- Legionella Management
 - Asbestos Management
 - Key risks management in services
 - Performance Management
 - Business Continuity/Emergency Planning

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 from this year's Audit Plan.

7. Comments on Plan 2013/14 to date

7.1 Whilst only 2 critical exceptions have been identified to date for this financial year the number of high risk exceptions seems high but this figure is skewed by the number of high risks relating to the Schools Audits.

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 2013/14 Audit 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	http://www.legislation.gov.uk/uksi/2011/817/contents/made
2 Audit Strategy 2013/14	http://www.portsmouth.gov.uk/media/gas20130124r7appB.pdf
3 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