

**HEAD OF INTERNAL AUDIT**  
**AUDIT OPINION PROGRESS REPORT: 2013 / 2014**

## INTRODUCTION

The purpose of this report is to bring the Civic Affairs Committee up to date with progress made against the delivery of the 2013 / 2014 Internal Audit Plan as at 31 October 2013. The report aims to:

- Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit;
- Advise the Committee of significant issues where controls need to improve to effectively manage risks;
- Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 20 March 2013; and
- Track progress on the delivery of agreed actions which are monitored through the risk register.

The information included in the progress report will feed into and inform our overall opinion in the annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.

Where appropriate each report we issue during the year is given an overall opinion based on four levels of assurance:

- **Full; Significant; Limited and No.**

To obtain the level of assurance, this is partly based on the number of type of recommendations we make in each report and is for any control weakness that jeopardises the complete operation of the service. The prioritisation of these being:

- **Critical; High; Medium and Low.**

It is managers responsibility to ensure that effective controls operate within their service areas. However, we undertake follow up work to provide independent assurance that agreed actions arising from audit reviews are implemented in a timely manner.

## AUDIT TEAM / RESOURCES

Since the Internal Audit Plan was reported in March 2013; the following changes have been made within the service:

- Head of Internal Audit. (0.5 FTE)
  - The existing shared service arrangement with Peterborough City Council has been extended from July 2013 to include South Cambridgeshire District Council. As a result, there has been a reduction in time to 0.4 FTE and a commensurate reduction in cost chargeable. However, this can be altered through the agreement should issues arise at any of the three authorities.
- Principal Auditor (0.76 FTE)
  - The reduction in the FTE for the HoIA as identified above has placed an additional burden on the Principal Auditor and there is a review being undertaken to establish the full extent of this.
- Senior Auditor (2.96 FTE)
  - This represents 4 members of staff.
  - 1 post has been vacant since April 2011 and has not been factored into the Internal Audit Plan. It has now been offered up as a saving from the budget and it is proposed to be deleted from the establishment.
  - In September, a Senior Auditor obtained employment elsewhere.
  - In October, a Senior Auditor returned from maternity leave.
  - As a result of the deleted post and the recent vacancy, this has reduced the level to 1.36 FTE.
- Assistant Auditor (1.81 FTE)
  - This represents 2 members of staff.
  - Also in September, one Assistant Auditor obtained employment elsewhere, reducing the level to 1.01 FTE.

As a result of the sudden reduced establishment, a temporary resource will be obtained to cover the interim period and to continue to enable some of the audit plan to be covered. However this can only be a short term solution – due to employment rules, financial considerations etc. – and a more permanent solution is being sought.

As the Council continues to operate in austere times, we have reviewed the resources currently available and that needed to provide an appropriate level of assurance to this Committee and the stakeholders within Cambridge. Inevitably, any reduction in staffing levels will see reduced days provided and the level of coverage. We have provided five options to the Executive Councillor for consideration and one has been approved. This will result in the deletion of the vacant Assistant Auditor post which undertook a number of administrative duties which can be subsumed elsewhere, but nevertheless reduces the Audit Plan by 110 days. We are in the process of establishing which audits can be deferred.

**RISK REGISTERS**

Internal Audit has been involved in the development and roll out of the new risk management arrangements across the Council. The updated Risk Management Strategy setting out the revised framework was approved by Civic Affairs in March 2013. All agreed Internal Audit actions are recorded on the risk register and monitored for implementation. Quarterly reports are referred to each Departmental Management Team on outstanding actions and are also flagged up with the Strategic Leadership Team half yearly. The summary position as at the end of October 2013 is as follows:

Year Audit Report Issued	Position as at 31 October 2013				
Year	Agreed	Actioned	Completion Date Not Due	Cancelled	Overdue Action
2011/12	148	120 (87)	5 (5)	5 (2)	18 (54)
2012/13	150	109 (75)	29 (28)	3 (0)	9 (47)
2013/14	10	0	5	0	5

The figures in brackets show the position reported to Civic Affairs in June 2013. It should be noted that completion dates for some of the agreed actions have been amended following discussion and agreement with Internal Audit. The overall position shows a significantly improving picture in terms of implementation of actions.

**KEY OBSERVATIONS FROM COMPLETED WORKS TO OCTOBER 2013**

Coverage of the audit plan, and remnants from the previous year continue to be delivered in line with targets although there is potential reduction expected subject to resources being released. Should resources remain at current levels then the plan will be scaled down to ensure that the service can still be able to provide an annual assurance opinion at the end of the year.

From the works undertaken to date, the following messages can be made:

- Core Systems Assurance Work
  - o We have undertaken works on the core systems so that we can provide assurance to our external auditors. This has been on Council Tax, Treasury Management and Housing Benefit. In addition we have undertaken works to assist in the review of revised processes and procedures in relation to the budgetary process.

- Annual Governance and Assurance Framework
  - o Internal Audit has been involved in various works which have been submitted through to Committee, including the Annual Governance Statement, Annual Audit Opinion, Internal Audit Effectiveness Review and an update on the Prevention of Fraud and Corruption.
  - o National fraud initiative. 21 cases have been referred to the Fraud Prevention Team for further investigation. This compares with 44 from the previous exercise 2 years ago.
- Corporate / Cross-Cutting reviews
  - o Reviews have been undertaken in relation Tackling Fuel Poverty, Growth Site Service Preparations and Compliance with the Equalities Act.
  - o We are awaiting agreement on a report into the Outcomes of the Business and Support Services Review.
- Contracts and projects
  - o While the Mercury Abatement Project delivered significant improvements both in terms of reduced emissions and cost savings there was a lack of full project management compliance.
  - o There is on-going monitoring of key project deliverables through current project teams or advice being sought from Internal Audit. Key projects at present include the delivery of the Clay Farm Community Centre and Building Cleaning.
  - o Contract work has focussed on Planned Maintenance, ICT Contract, Leisure Management and the Corn Exchange Box Office Ticketing Software.
- Customer and Community Services
  - o Work has been undertaken in the area of Homelessness. Draft reports are being discussed at present.
- Environment
  - o Significant assurance can be placed in a number of areas – Developer Contributions Priority Projects, Planning Indicators and Carbon Reduction Management.
- Other activities
  - o A number of audits from previous years have been followed up.

## CONCLUSIONS

Progress to date is in line with current projections although it is inevitable that there will be some amendments to the Audit Plan due to the reduced resource. Cover will be maintained by the use of temporary resource until a permanent replacement is obtained.

Steve Crabtree  
Head of Internal Audit  
November 2013

**AUDIT PLAN COVERAGE**

**JOBS IN PROGRESS FROM 2012 / 2013**

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY
			AGREED					Action status			
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due	
<b>CORE SYSTEM ASSURANCE WORK</b>											
Council Tax	2013/14 07	Significant	0	1	1	0	2				Completed
Treasury Management	2013/14 03	Significant	0	2	0	0	2				Completed
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>											
National Fraud Initiative	On-going. Various reports produced following submission of datasets to Audit Commission and a series of anomalies identified. These are being investigated / referred to appropriate parties to establish whether they are legitimate or a result of limited data initially.										
<b>CORPORATE / CROSS CUTTING AUDITS</b>											
Implementation of the outcomes from the Business and Support Services Review (BSSR)	Draft report issued. Awaiting agreement of actions										
Purchase Orders	Report drafted.										
Fees and Charges	Report drafted.										

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY
			AGREED					Action status			
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due	
<b>PROJECTS</b>											
Clay Farm – Community Centre	On-going monitoring. Project continues in current financial year and works have been picked up in the plan.										
Clay Farm – Land Disposal	On-going monitoring. Project continues in current financial year and works have been picked up in the plan.										
Mercury Abatement	2013/14 21	Limited	0	1	2	0	3				Completed
<b>CONTRACTS</b>											
Homelessness Assessment Centre (Zion Baptist Church)	Fieldwork stage completed.										
Ditchburn Place Care Contract	Report drafted.										
<b>CUSTOMER AND COMMUNITY SERVICES</b>											
Home Improvement Agency	Draft report issued for agreement of actions. Any specific issues relating to the agency will be shared with the other partners i.e. Huntingdonshire / South Cambridgeshire										
Right To Buy	Fieldwork stage completed.										
Corn Exchange Box Office	Deferred. Advice provide on procurement of new software Review will be rescheduled once this has been obtained and installed.										

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY
			AGREED					Action status			
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due	
<b>ENVIRONMENT</b>											
Officer Consultation on Planning Applications	Report drafted										
Tree Management	Fieldwork stage completed.										
<b>RESOURCES</b>											
Procurement Strategy / Spend Categorisation	Draft report agreed and awaiting finalisation										
<b>FOLLOW UPS</b>											
Service Continuity Plans – Follow Up	2013/14 08	Significant	–	–	–	–	–	2	1	–	Complete

**AUDIT PLAN 2013 / 2014: PROGRESS**

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY
			AGREED					Action status:			
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due	
<b>CORE SYSTEM ASSURANCE WORK</b>	<b>Core systems are those that are fundamental to providing control assurance for internal financial control and allow the s151 officer to make his statement included in the Annual Accounts on the reliability of the supporting financial systems.</b>										
Housing Benefit	Completed work for External Audit based upon their parameter tests. No issues arising.										
Council Tax											Quarter 3
Budget Setting Process	On-going work reported to Civic Affairs in September 2013.										
Accounts Payable											Quarter 3
Accounts Receivable											Quarter 3
VAT											Quarter 3
<b>ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK</b>	<b>Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. This section details the audit work that specifically relates to the production of the Annual Governance Statement</b>										
Annual Governance Statement	Completed. Reported to Civic Affairs in June 2013										
Annual Audit Opinion	Completed. Reported to Civic Affairs in June 2013										
Internal Audit Effectiveness	Completed. Reported to Civic Affairs in June 2013										
Prevention of Fraud and Corruption	Completed. Reported to Civic Affairs in June 2013										

AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY
			AGREED					Action status:			
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due	
<b>CORPORATE / CROSS CUTTING AUDITS</b>	<b>Internal Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.</b>										
Health and Safety	Fieldwork										
Achievement of Income and Savings Targets	Fieldwork										
Safeguarding											Quarter 3
Data Security and Data Sharing Protocols											Quarter 3
IT Infrastructure											Quarter 3
Security of On-line Transactions											Quarter 3
Corporate Governance											Quarter 3
Compliance with the requirements of the Equalities Act	Draft report. Awaiting agreement of actions										
Tackling fuel poverty	2013/14 06	Significant	0	0	1	0	1				Complete
Growth Site Service Preparations	2013/14 02	Significant	0	0	1	0	1				Complete
Use of Consultants	Report drafted										











AUDIT ACTIVITY	Report No.	ASSURANCE LEVEL	ACTIONS								COMMENTARY	
			AGREED					Action status:				
			Critical	High	Med	Low	Total	Complete	Overdue	Not Yet Due		
<b>FOLLOW UP PROVISION</b>												
Responsive Repairs Improvement Plan	2013/14 17	Significant							2	0	0	Final
Commercial Property Portfolio	2013/14 18	Limited							2	2	0	Final
Insurance	2013/14 15	Significant							?	0	0	Final
<b>UNPLANNED ACTIVITY: PROJECT MANAGEMENT / PROCUREMENT / CONTRACT MANAGEMENT ADVICE</b>												
<p>Various pieces of contracts advice have been provided. These covered all stages of the contracts process. Key activities covered:</p> <ul style="list-style-type: none"> <li>Planned maintenance</li> <li>Responsive repairs</li> <li>Stores procurement project</li> </ul>												
<b>UNPLANNED ACTIVITY: REQUESTED WORK</b>												
<p>Key activities covered:</p> <ul style="list-style-type: none"> <li>Data Security Group</li> <li>Review of contract rules</li> <li>Referrals from managers for investigative works</li> </ul>												
<b>RISK MANAGEMENT</b>												
<p>Internal Audit has assisted in the implementation of the updated risk register.</p> <p>On-going work includes the review and monitoring of Council’s risks and implementation of actions agreed to mitigate these.</p>												