



HEAD OF INTERNAL AUDIT
INTERNAL AUDIT PROGRESS REPORT
2011 / 2012

PROGRESS REPORT

1. Introduction
2. Resourcing
3. Progress Against Agreed Audit Plan
4. Key Issues Arising

1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Civic Affairs Committee up to date with the progress made against the delivery of the 2011 / 2012 Internal Audit Plan. This 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 23 March 2011;
 - Track progress on the delivery of agreed actions; and
 - Provide an update on performance indicators comparing actual performance against planned where measurable at this stage.
- 1.2 The information included in this 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 (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

AUDIT ASSURANCE	
Assurance Level	Definitions
Full	Controls are in place to ensure the achievement of service objectives and good corporate governance, and to protect the Authority against significant foreseeable risks.
Significant	Controls exist to enable the achievement of service objectives and good corporate governance, and mitigate against significant foreseeable risks. However, occasional instances of failure to comply with control process were identified and/or opportunities still exist to mitigate further against potential risks.
Limited	Controls are in place and to varying degrees are complied with, however, there are gaps in the process which leave the service exposed to risks. Therefore, there is a need to introduce additional controls and/or improve compliance with existing ones, to reduce the risk exposure for the Authority.
No	Controls are considered to be insufficient, with the absence of at least one critical control mechanism. There is also a need to improve compliance with existing controls, and errors and omissions have been detected. Failure to improve controls leaves the Authority exposed to significant risk, which could lead to major financial loss, embarrassment, or failure to achieve key service objectives.

- 1.4 This is based upon the number and type of recommendations we make in each report. From 2011 / 2012, an additional category of "Critical" has been introduced. This is for any control weakness that jeopardises the complete operation of the service.

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	To be implemented immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical

- 1.5 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.

RESOURCING

- 2.1 The staffing position in Internal Audit has remained stable so far this year (based on the establishment of 6.38 fte, of which 0.50 is shared with Peterborough City Council). This is made up of:

- Permanent Staff (Fte) 4.98
- Head of Internal Audit (share) 0.50
- Vacant Post 0.40

- 2.2 The reduction of 0.50 fte for the shared service has been factored into the audit plan at the start of the year so there is no impact on the audit plan. The ongoing vacancy of one post (0.4 fte) has had some impact on the capacity for development however sickness levels have been low in comparison with previous years and has increased available time. At this moment in time there has been no material impact on the audit plan.

- 2.3 There are a number of options being explored to recruit into the vacant post at present, including the potential to develop the joint working initiative further as there is also vacant provision at Peterborough.

- 2.4 In order to increase efficiencies and move joint working initiatives forward with apace, a working group has been set up between the two authorities to explore the development of utilising a separate audit automated package. This has the potential to enable auditors to work at other sites whilst still having full access to files, records etc., as well as reducing the carbon footprint by decreasing the need to travel to central locations. It will also allow for managers to review works on an ongoing basis, rather than waiting for officers to return to base, thus speeding up the audit output process. Further potential reductions could be in terms of actual accommodation requirements.

3 **PROGRESS AGAINST AGREED AUDIT PLAN**

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
CORE SYSTEM ASSURANCE WORK							
Housing Benefits	Completed and issued to External Audit. Housing Benefit software diagnostic tool provided by Audit Commission being used.	N / A	-	-	-	-	-
NNDR	Planned Q3	-	-	-	-	-	-
Main Accounting	In progress. Audit brief agreed and testing schedule established.	-	-	-	-	-	-
BACS Payments	Planned Q3	-	-	-	-	-	-
ANNUAL GOVERNANCE / ASSURANCE ACTIVITIES							
Annual Governance Statement	Completed (Civic Affairs Committee June 2011)	N/A	-	-	-	-	-
Annual Audit Opinion	Completed (Civic Affairs Committee June 2011)	N/A	-	-	-	-	-
Internal Audit Effectiveness	Completed (Civic Affairs Committee June 2011)	N/A	-	-	-	-	-

National Fraud Initiative	In progress. Various anomaly reports produced and provided to Revenues and Benefits to investigate further. Ongoing work by Internal Audit into purchasing anomalies.	-	-	-	-	-	-
Risk Management	Planned Q4	-	-	-	-	-	-
Partnership Governance	Commenced. Partnership sample agreed and testing / fieldwork in progress.	-	-	-	-	-	-
Data Security / Information Governance	Planned Q3	-	-	-	-	-	-
Project Management (including VfM)	On-going monitoring. Focus currently on Programme Planned Maintenance, Mercury Abatement, Responsive Repairs.	-	-	-	-	-	-
CORPORATE CROSS CUTTING REVIEWS							
Fire Safety / Property Portfolio	Planned Q3	-	-	-	-	-	-
Delegations: Officers / Members	Planned Q3	-	-	-	-	-	-
Service Preparations for Growth	Planned Q4	-	-	-	-	-	-
Spreadsheets	Planned Q3	-	-	-	-	-	-
Health and Safety	Planned Q4	-	-	-	-	-	-
Asset Management	Planned Q4	-	-	-	-	-	-

Budget Management	Planned Q2. Delayed	-	-	-	-	-	-
S.106 Developer Contributions	Planned Q2. Delayed	-	-	-	-	-	-
Business Continuity	Planned Q3	-	-	-	-	-	-
Safeguarding	Planned Q3	-	-	-	-	-	-
CONTRACTS AND PROJECTS							
Orchard Upgrade	Planned Q3	-	-	-	-	-	-
Clay Farm Programme	In progress. 2 audit briefs established – Expected deliverables from the Community Centre Programme; and Disposal of Land.	-	-	-	-	-	-
Brandon Court (Project Management)	Completed	Full	0	0	0	1	1
South Cambridgeshire DC Contract Works	Planned Q2. Delayed.	-	-	-	-	-	-
Review of Compliance with TUPE	Completed	Limited	0	4	0	0	4
Planned & Preventative Maintenance	In progress. Brief and testing agreed.	-	-	-	-	-	-
Responsive Repairs Improvement Plan	In progress	-	-	-	-	-	-
Leisure Management	In progress	-	-	-	-	-	-
EDRMS	Planned Q4	-	-	-	-	-	-
HRA Self Financing (Project Management)	Completed	Full	0	0	0	0	0

CHIEF EXECUTIVES							
Member Allowances	Planned Q3	-	-	-	-	-	-
CUSTOMER & COMMUNITY SERVICES							
Cash Handling (Sports Development)	In progress. Draft report stage.	-	-	-	-	-	-
Housing Allocations	Planned Q3	-	-	-	-	-	-
Financial Controls (Arts and Recreation)	Planned Q4	-	-	-	-	-	-
Leasehold Service Charges	Completed	No	3	1	0	1	5
ENVIRONMENT SERVICES							
Local Enterprise Partnership (LEP)	Planned Q3	-	-	-	-	-	-
Trade Waste	In progress. Draft report stage.	-	-	-	-	-	-
Driving / Vehicle Legislation Compliance	In progress.	-	-	-	-	-	-
Review of Planning Enforcement	Planned Q4	-	-	-	-	-	-
Crematorium	Planned Q3	-	-	-	-	-	-
Trees	In progress.	-	-	-	-	-	-
Markets	In progress. Brief and testing agreed.	-	-	-	-	-	-
RESOURCES							
External Funding / Grants	Ongoing works	-	-	-	-	-	-

Insurance	Planned Q2 – brief being prepared.	-	-	-	-	-	-
ICT Plan	Planned Q2 – brief being prepared.	-	-	-	-	-	-
Procurement Strategy	Planned Q3	-	-	-	-	-	-
Contracts (Legal)	In progress	-	-	-	-	-	-
CARRIED FORWARD FROM 2010 / 2011 AUDIT PLAN FOR COMPLETION IN 2011 / 2012							
MSCP Cash Handling	Draft report stage	-	-	-	-	-	-
Sickness Management	In progress – revision to original brief.	-	-	-	-	-	-
Capital Expenditure	Draft report stage	-	-	-	-	-	-
ICT Software Inventory	Draft report stage	-	-	-	-	-	-
IDOX Implementation (formerly EDRMS)	Draft report issued.	-	-	-	-	-	-

4 **KEY ISSUES ARISING**

4.1 **Audit Reports: Assurance**

To ensure transparency of our activities, Members have access to the Executive Summary of all audit reports issued by Internal Audit through the secure login site on the Councils intranet. If there are any reports produced where it is considered that No Assurance can be provided, then details of this review are included separately for Member information and debate. Since April 2011, audits issued with no assurance are:

- Leaseholder Service Charges.

Audit Title	Leaseholder Service Charges
Scope	To verify that appropriate service charges are levied appropriately in relation to properties that are leased.
Findings	<p>Service charges are charged to leaseholders for a range of services including lift maintenance, grounds maintenance, estate cleaning (cleaning of external hardstanding), communal lighting, and communal cleaning/caretaking. This review has indicated that although there is sufficient evidence to support the majority of the charges, there is no evidence to support the value of the grounds maintenance charge or the estate cleaning charge. This report includes a management agreed action for the Streets & Open Spaces Service to conduct a full review of the grounds maintenance and estate cleaning work required by each block of flats and to calculate appropriate prices for undertaking this work during 2011.</p> <p>The Repairs & Maintenance Service is currently finalising the outsourcing of planned maintenance works for the next five years. The incoming contractor, Repairs & Maintenance, and City Homes' leaseholder team have agreed a process for recharging these works, where appropriate, to leaseholders, but as the new contract had not been completed at the time of the audit, no testing was possible in this area. Additional improvements to the cyclical decoration programme will also include full surveying of all properties to be painted and full inspection of all completed works.</p>
Conclusions	A 'no' assurance rating has been given to the leaseholder service charges process due to the lack of any supporting data for either the grounds maintenance (this issue was raised in an 2010/11 audit but is yet to be addressed by management) or estate cleaning charges (cleaning of external hardstanding).

Actions in relation to this audit have been agreed and progress is being made to resolve satisfactorily.

4.2 Use of Contingency Allocations

Throughout the year there are many calls upon audit time, which is not identified up front at the start of the financial year. To counteract this, time is set aside separately to cover such activities (known as contingency). This includes such areas as follow-ups of previously identified poor reports, investigations and requested work.

Up to the end of August 2011, separate call on the contingency allocations include:

Type	Department	Activity
Follow Up	Resources	Property Services Contract Management
Requested Work	Customer and Community	Accommodation Usage
	Customer and Community	Talbot House
	Customer and Community	Affordable Housing Procurement
	Customer and Community	Box Office: Monies; Counterfeit Banknote Procedures; Credit Card Details
	Environment	Taxi Card Scheme
	Environment	Parking Services
	Environment	Environment Procurement
	Environment	Invoice Scanning
	Environment	Landlords
	Environment	Mercury Abatement
	Resources	Resources Procurement
	Resources	Repairs and Maintenance Expenditure Analysis
	Resources	Planned Maintenance Contract
	Resources	BSI Audits
	Resources	Sale of Tools

4.3 Risk Management Development

There is a new approach being developed for the management of risk across the Council and Internal Audit have been involved in moving this forward together with Support Services. A new risk register has been procured and various visits / workshops have been undertaken to all Departments and their various Heads of Service in order to populate this. A separate report is due to be submitted in September 2011 to the Strategic Leadership Team on progress and further information will be provided to Civic Affairs Committee in due course.