

AUDIT COMMITTEE	AGENDA ITEM No. 9
2 NOVEMBER 2009	PUBLIC REPORT

Cabinet Member(s) responsible:	Councillor Seaton, Resources Portfolio Holder	
Committee Member(s) responsible:	Councillor Dalton, Chair of Audit Committee	
Contact Officer(s):	John Harrison, Executive Director - Strategic Resources Steve Crabtree, Chief Internal Auditor	☎ 452 398 ☎ 384 557

INTERNAL AUDIT - QUARTERLY REPORT 2009 / 2010 (TO 30 SEPTEMBER 2009)

RECOMMENDATIONS	
FROM : John Harrison, Executive Director - Strategic Resources	Deadline date : N/A
Audit Committee are asked that :	
<p>1. The Internal Audit Update Report to 30 September 2009 be received and the Committee note in particular:</p> <p>(a) That the Chief Internal Auditor is of the opinion that based on the works conducted during the 6 months to 30 September 2009, internal control systems and governance arrangements remain generally sound;</p> <p>(b) Progress made against the plan and the overall performance of the section; and</p> <p>(c) Approval of the revised 2009/2010 Audit Plan.</p>	

1. ORIGIN OF REPORT

This report is submitted to Audit Committee as a routine planned report within the work programme of the Committee. It sets out Internal Audit performance and progress with regards to the 2009 / 2010 Audit Plan (Audit Committee approval: 30 March 2009).

2. PURPOSE AND REASON FOR REPORT

The purpose of this report is to inform the Audit Committee on Internal Audit activities and performance progress against the Annual Audit 2009 / 2010 as at 30 September 2009.

3. TIMESCALE

Is this a Major Policy Item / Statutory Plan?	NO	If Yes, date for relevant Cabinet Meeting	N/A
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4. OVERVIEW

This report outlines the work undertaken by Internal Audit up to 30 September 2009, progress against our plan and other issues of interest.

5. ASSURANCE OPINION

- 5.1 One of four levels of assurance is allocated to each audit review. These assurance levels are: **FULL**; **SIGNIFICANT**; **LIMITED**; and **NO ASSURANCE**. Where concerns have been identified resulting in limited or no assurance, the Executive Summaries for these reviews will be included in an appendix to this report, once the audit review has been agreed and finalised. **Seven** reports fall into this category for the quarter, details of which are included in **Appendix B**.
- 5.2 Based on the work carried out and finalised during the 2009 / 2010 (to 30 September 2009), the Chief Internal Auditor is of the opinion that the Council's internal control systems for those areas audited are generally sound. 98% of high / critical recommendations made to date have been accepted by management and programmed for implementation (against a target of 97%).

6. AUDIT PLAN 2009 / 2010

6.1 Progress against Plan

- 6.1.1 **Appendix A** shows all audits underway or completed in the first 6 months, with the exception of the Financial Management Standard in Schools (FMSiS) for 2009 / 2010 where reviews are at preliminary stages. The Appendix also includes reviews brought forward from the previous year that have been finalised during 2009 / 2010. In addition to the reviews detailed, other activities of control advice have been provided by Internal Audit which may not have resulted in the production of a report. Audits that were not planned at the time of the Annual Audit Plan being approved are also included within the Appendix and are identified with an asterisk (*).
- 6.1.2 Progress against the 2009 / 2010 plan is 39% (compared with 42% to the 6 month period September 2008). Whilst the progress against the plan is commensurate with the previous year regarding the number of reviews undertaken, a number of unplanned jobs have been conducted which will reduce the amount of available contingency time for the remainder of the year, as well as reducing the amount of time available to do planned audits.
- 6.1.3 The percentage of direct days delivered during the first half year is 92% against a target of 100%. Our performance is higher than would be expected, given that a significant number of days have been lost due to sickness. This is due to the introduction of annualised hours and a reduction in indirect activities. However, the indirect activities, which include training are likely to be undertaken during the remainder of year and will therefore impact on the ability to deliver future planned direct days.
- 6.1.4 To date, 16 audit projects for 2008 / 2009 have been finalised together with a further 14 for 2009 / 2010. 6 other pieces of work have been completed where either no audit report was necessary, or a committee report was produced. There are also 26 reviews that are in various stages of progress along with the 23 schools subject to Financial Management Standards in Schools reassessment.

6.2 Responses to Audit Reports

Internal Audit continues to produce reminders in accordance with their Audit Charter (currently under review) to finalise reports in a timely manner. Audit Committee will be advised during the year where significant delays occur.

6.3 Status of Recommendations

6.3.1 Our current policy, as defined in our Audit Charter approved at Audit Committee on 6 November 2006, is to follow up the implementation of recommendations 6 months after the reports have been finalised. To date 75% of high/critical recommendations have been followed up against an annual target of 80%. Where services receive an annual review, e.g. very high risk areas or key financial systems such as benefits and national non-domestic rates, recommendations are reassessed during this review.

6.4 Other Performance Matters

6.4.1 Our productive time (chargeable days) target is 80%. Performance up to September 2009 is 71%. Whilst this is lower than target (due to the effect of long term sickness) the impact has been partially mitigated by the reduction of indirect time during the period.

6.4.2 Feedback for each audit is collected via Post Audit Questionnaires (PAQ). Our average score to date is 4.5 against a target of 3.75 (the highest score being 5), reflecting the high opinion our audit clients have of auditor conduct and the quality and usefulness of reports.

6.4.3 An average of 20 days sickness per person was lost during the 6 months to 30 September 2009, compared to an annual target of 5 days per person. This is a major increase on last year where sickness was 1.75 days per person as at 30 June 2008. This is due to long term sickness and the impact on average figures as the team has reduced to 7.1 FTE from 9.3 FTE in 2008 / 2009. Absence levels excluding long term sickness are 0.6 days per person. Occupational Health have advised that the long term sickness will continue into Quarter 3 and this will have a major impact on the delivery of the Audit Plan for the remainder of the year. Where appropriate, sickness is being actively managed in accordance with the Council's Attendance Policy and through Occupational Health if appropriate.

6.4.4 An average of 1.46 days training has been provided to each auditor so far this year (annual target of not less than 5 days per auditor). This includes 'on the job' training, internal corporate training, training for professional qualifications and audit technical update seminars. Corporate initiatives introduced during 2008 / 2009 in relation to the Learning Academy (Cohort 2010), will continue during 2009 along with other training activities.

6.4.5 The length of time from completion of field work to issue of a draft report is currently on line with target days.

7. REVISION OF THE 2009 / 2010 AUDIT PLAN

7.1 As detailed in 6.4.3 above, it is known that the delivery of the audit plan is at risk due to resourcing issues relating to sickness. This is also impacted by a vacant Trainee Auditor post within the team where it is uncertain when the recruitment process will commence.

7.2 In view of the above and the continuing requests by management for unplanned work the audit plan has been reviewed and is attached as Appendix C. The plan includes reviews that have already been completed (details contained within Appendix A) along with audits that are due to commence during the remaining six months of the year. Resource time previously included for a Senior Auditor, Trainee Auditor and Senior Auditor (0.2) has been removed due to issues of long term sickness, a post vacancy and the reduction in hours of another member of staff. If the long term sickness issue were to be resolved during Qtr 4

there would be a full year's annual leave entitlement to be taken and an assumed phased return to work, therefore the direct time available in delivering the plan would be negligible and has therefore been excluded.

- 7.3 Reviews that are highlighted within Appendix C identify where audits have either been removed, deferred to 2010/11 or indicate a reduction in the scope to be covered. Despite the removal of these reviews the revised audit plan includes more direct audit days than the resources available by approximately 60 days. This will result in the possible partial rollover of some audits into 2010/11 where reviews are not concluded within 2009/10. Whilst some contingency time has been allowed for within the plan, it is possible that reviews may still not be completed if requests for unplanned work exceeds the contingency allowance.

8. CONSULTATION

This report and the accompanying appendices have been issued to the Section 151 Officer for consideration.

9. ANTICIPATED OUTCOMES

That the Audit Committee is informed of Internal Audit's progress against the Annual Audit Plan and its business plan performance. In addition, that the Audit Committee is made aware of any key control issues highlighted by our work since the last progress report.

10. REASONS FOR RECOMMENDATIONS

The Council is subject to the Accounts and Audit (amendment) Regulations 2006 and, as such, must make provision for Internal Audit in accordance with the CIPFA Code of Practice. It must also produce an Annual Governance Statement to be published with the Council's financial accounts. This report and associated papers demonstrate how the audit service is progressing against the audit plan how it will contribute to the Statement.

11. ALTERNATIVE OPTIONS CONSIDERED

The alternative of not providing an Internal Audit service is not an option.

12. IMPLICATIONS

12.1 Corporate Strategy (relevance to):

Internal Audit, through its central monitoring role, has an essential part to play in the application of sound financial management and corporate governance principles throughout the organisation. In addition it endeavours to promote quality systems and to ensure that there is an effective, efficient and economical use of all resources available to the Council.

Internal Audit reviews the risk management process that is integral in the setting of priorities within the Council and ultimately the Corporate Strategy. A corporate risk management process is now in place and work continues to be undertaken to embed further a risk management culture throughout the Council. Corporate risk registers were first introduced in October 2003 and these are continuing to evolve. These registers should reflect the risks associated with the key priorities identified in the Corporate Strategy. The Internal Audit plan for 2009 / 2010 has been produced with reference to the Corporate Risk Register to ensure, where possible and appropriate, Internal Audit review those areas considered to be of most risk. The annual audit plan will continue to be reviewed to ensure it is in line with the risk registers, and as a consequence that the audit programme is closely linked to the Corporate Strategy.

There would be a legal implication if an Internal Audit service was not provided for, and if mechanisms were not in place to carry out a review of internal control, governance and risk management as a basis for the Annual Governance Statement.

BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985)

CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006

Accounts and Audit (amendment) (England) Regulations 2006

Internal Audit Business Plan 2009 / 2010

Internal Audit Annual Plan 2009 / 2010

APPENDICES:

Appendix A	Progress of Audit Plan 2009 / 2010 (To 30 September 2009)
Appendix B	Audit Reports Issued in Quarter 2: Limited / No Assurance
Appendix C	Revised Internal Audit Plan 2009/10

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

The table below provides a summary of the assurances assigned to each of the reviews and the status of the recommendations made

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHIEF EXECUTIVES DEPARTMENT										
Economic Participation Programme Review			*		-	4	4	-	8	Final
Economic Participation Programme 2007 / 2008 Follow Up					n/a	n/a	n/a	n/a	n/a	Final
SI (Cex1006-08) *					n/a	n/a	n/a	n/a	n/a	Final
Private Sector Housing Grants *					n/a	n/a	n/a	n/a	n/a	Final

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS 2009 / 2010										
FMSiS Arrangements (to be identified individually throughout year as work progresses). 23 Schools comprising <ul style="list-style-type: none"> • 9 Secondary Schools, • 12 Primary Schools; and • 2 Special Schools 					-	-	-	-	-	In progress
CHILDRENS SERVICES: OTHER ACTIVITIES										
Bushfield School Closure		x			-	1	-	-	1	Final
The Voyager			x		-	11	4	4	19	Draft
SI (Chi2325-02) *			x		-	-	3	-	3	Final
CRB policy in schools *					n/a	n/a	n/a	n/a	n/a	Final
PCAE					-	-	-	-	-	In progress
CHILDRENS SERVICES: FOLLOW UPS										
Gladstone FMSiS 2008 / 2009					-	-	-	-	-	In progress
Matley FMSiS 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final
Orton Longueville – Cashless System					n/a	n/a	n/a	n/a	n/a	Final
Education Psychology					-	-	-	-	-	In progress
St John Fisher					-	-	-	-	-	In progress

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

CHILDRENS SERVICES: FOLLOW UPS (continued)										
Old Fletton FMSiS					n/a	n/a	n/a	n/a	n/a	Final
Oakdale FMSiS					-	-	-	-	-	In progress
AUDIT_ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS Rolled Forward from 2008 / 2009										
Bishop Creighton			x		-	2	6	6	14	Draft (finalised in Oct)
Discovery			x		-	2	7	2	11	Draft (finalised in Oct)
John Clare			x		-	1	6	4	11	Final
Longthorpe Primary		x			-	1	2	2	5	Final
Middleton			x		-	3	3	2	8	Final
Nene Valley		x			-	-	3	2	5	Final
Newark Hill		x			-	1	3	2	6	Final
Northborough			x		-	3	1	1	5	Final
Norwood		x			-	3	2	1	6	Final
Parnwell Primary		x			-	-	2	2	4	Final
Peakirk-cum-Glinton			x		-	1	8	2	11	Final
Sacred Heart RC Primary			x		-	5	5	0	10	Final

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CHILDRENS SERVICES: FINANCIAL MANAGEMENT STANDARD IN SCHOOLS										
Rolled Forward from 2008 / 2009										
Stanground St Johns			x		-	2	4	-	6	Final
St Thomas More		x			-	-	1	4	5	Final
The Phoenix			x		-	3	5	2	10	Final
Wittering			x		-	2	7	2	11	Final

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CITY SERVICES										
Procurement *					-	-	-	-	-	In progress
Energy Payments *					-	-	-	-	-	In progress
Waste Management – FLARE *					-	-	-	-	-	In progress
SI – (CON 3195-03) *					-	-	-	-	-	In progress
CITY SERVICES Rolled forward 2008 / 2009										
Budgetary Control			x		-	4	6	2	12	Responses received. Meeting awaited.

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
STRATEGIC RESOURCES										
LSVT VAT Shelter Usage *		*			-	2	-	-	2	Draft
Invoice Fraud -Insurance Claim Recovery *					n/a	n/a	n/a	n/a	n/a	In progress
Teachers Pensions Arrangements 2008 / 2009					-	-	-	-	-	In progress
National Fraud Initiative					n/a	n/a	n/a	n/a	n/a	Final – Results provided to Audit Commission via online portal
CIPFA Benchmarking 2009					n/a	n/a	n/a	n/a	n/a	Data provided. Final report received. Analysis being undertaken to provide summary details to next Audit Committee
Benefits 09/10					-	-	-	-	-	In progress
Treasury 09/10					-	-	-	-	-	In progress
Central Security *					-	-	-	-	-	In progress

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status	
	Full	Signif	Limit	No	Critical	High	Med	Low	Total		
STRATEGIC RESOURCES (Continued)											
Rolled Forward 2008 / 2009											
Payroll					-	-	-	-	-	-	Draft
Purchasing Cards				*	1	3	9	4	17		Draft
Debtors			*		-	3	6	1	10		Final
ICT											
ECAF and Contact Point (Government Initiative - Children's Services IT systems) *					-	-	-	-	-	-	In progress
ICT Managed Service – CIA consultancy					n/a	n/a	n/a	n/a	n/a	n/a	n/a

ASSURANCE LEVELS AND RECOMMENDATIONS: 1 APRIL 2009 - 30 SEPTEMBER 2009

AUDIT ASSIGNMENT	ASSURANCE LEVEL				RECOMMENDATIONS MADE					Status
	Full	Signif	Limit	No	Critical	High	Med	Low	Total	
CORPORATE ACTIVITY / CROSS CUTTING REVIEWS										
Recruitment / CRB					-	-	-	-	-	In progress
Grants:										
GAF 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final
Final Account Statements 2008 / 2009:										
Annual Governance Statement 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final - committee report June 2009 and inclusion in the Statement of Accounts
CAA / Use of Resources					n/a	n/a	n/a	n/a	n/a	CIA strategic co-ordination of data collection together with liaison with External Auditors
Audit Opinion 2008 / 2009					n/a	n/a	n/a	n/a	n/a	Final - committee report June 2009
TOTAL RECOMMENDATIONS MADE					2	81	115	56	254	

COMPARISON: FULL YEAR 2008 / 2009	8	129	189	116	442
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AUDIT REPORTS ISSUED: OPINION OF LIMITED ASSURANCE OR NO ASSURANCE

LIMITED ASSURANCE		Date To Audit Committee
Chi2121-01	John Clare	02 November 2009
Chi2129-01	Northborough	02 November 2009
Str5515-04	Debtors 08/09	02 November 2009
Cex1006-07	Economic Participation Programme Review	02 November 2009
Env4330-02	Blue Badges	02 November 2009
Chi2325-02	SI – Mileage Claims	02 November 2009
Env4396-01	SI – Income and Banking	02 November 2009

FMSiS: Standard Executive Summary

The Financial Management Standard in Schools (FMSiS) process has been embedded into the Internal Audit programme and following external assessment the school has met the requirements of the Standard. The school submitted evidence required in order to support stated procedures and processes in meeting the Standard.

Appendix G4 details the areas within the school and evidence assessed that are satisfactory. Appendix G4 also highlights areas that are unsatisfactory and issues for improvement that have not warranted failure of the Standard are detailed within Appendix 2.

The school should continue to meet the requirements of the standard, and undertake the self assessment process regularly in order to demonstrate sound financial management and value for money are achieved.

The 'Guide to Further Best Practice in Financial Management' (G3B) details the non essential elements of the Standard, and the school should now monitor their progress against these criteria.

Recommendations made will be assessed against progress during September 2009, as part of a follow up review process.

Scope and Objectives

Year 2 primary schools are expected to comply with the Standard by March 2009.

The purpose of the audit was to obtain reasonable assurance that adequate controls and procedures are in place to meet the requirements of the DCSF FMSiS, and make observations and recommendations for improvement.

FMSiS comprises five subject elements which are:- Leadership & Governance; People Management; Policy & Strategy; Partnerships & Resources and Processes

Methodology

The school submitted a self assessment for review. An external assessment was conducted by examining the responses to the assessment and evidence submitted. A visit to the school was also undertaken.

Discussions were held with the following personnel:- Headteacher; Finance Manager; Education Finance, Peterborough City Council and Governors Services, Peterborough City Council

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion. The audit opinion is LIMITED ASSURANCE.

Chi2121-01: Conclusion

The school was categorised as a 'conditional pass' on 31st March 2009 as items of evidence were outstanding. These were received on the last day of the 20 day extension period. John Clare Primary School has now met the requirements of the standard.

The scheme of delegation was identified during the review as an area of weakness. The Full Governing Body clarified delegated limits for purchasing and virements during a recent meeting. However key documents need to be updated to state these limits. This is reflected in the audit opinion of 'Limited Assurance.'

Chi2129-01: Conclusion

The External Assessment process has resulted in key observations and recommendations in relation to governance arrangements at the school. In particular, regarding the involvement of governors in the completion of the Financial Risk and Control Check list, and also the need to record evidence of the discussions held at governors meetings. This is reflected in the audit opinion of 'Limited Assurance.'

The school did not submit their G4 FMSiS Assessment Tool 2008/09 in a timely manner, in order to commence the External Assessment process. However, the Internal Audit visit to the school was well received and productive and the Headteacher and Finance Secretary demonstrated their commitment to passing FMSiS. Communication with the Internal Audit Team was good and the Finance Secretary responded promptly to requests for additional information. This has resulted in Northborough Primary School Passing the FMSiS.

Str5155: Executive Summary

Introduction

Since this review started, the Income Section has merged with the Payables team to become the Transactional Services Team. There is also a systems review of Oracle Accounts Receivable (OAR) currently being conducted by the Oracle Financial Systems Team.

There are four high level recommendations made within this report, which cover the following points:

- Financial Regulations are not always complied with when raising debtor invoices
- It cannot easily be established what debt recovery action is undertaken in directorates (or even who the designated collectors are)
- Currently, inadequate resources are allocated to debt recovery within the Transactional Services Team

Progress has been made on the agreed actions of the previous audit although not all have yet reached a satisfactory conclusion. Reference has been made to outstanding issues in this report but some will be addressed during the systems review currently being undertaken.

Scope & Objectives

To review

- the operation of the debtors system
- overdue debt
- progress achieved on the previous management action plan

Conclusion

As the central hub of the accounts receivable system, the Transactional Services Team needs to have confidence that directorates are fulfilling their obligations properly and promptly. However, there is not yet an assurance that this is happening across the Council as a whole, especially in respect of debt recovery action. With the country being in a period of recession, it is crucial that debt recovery procedures are initiated quickly to ensure that payments are received as early as possible.

With basic procedures set out in Financial Regulations being ignored by some of those raising invoices in directorates and with the Transactional Services Team not knowing who directorate collectors are or if they are actually undertaking debt recovery action, improvements in communication are required. It is disappointing, therefore, that the Debt Forum, which was reinstated after the last audit report, has not met for a few months, as this would be an ideal medium to disseminate information and promote best practice.

On a more positive note, it is pleasing to record that targets were set for reducing the level of overdue debt for the first time, although the target for 2008/09 was not achieved due to the recession.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion. The audit opinion is LIMITED ASSURANCE

Cex1006-07: Executive Summary

Introduction

The Economic Participation Programme (EPP) was formerly known as the Investing in Communities (IiC) Programme and is a long term regeneration programme funded by the East of England Development Agency (EEDA).

A number of issues that are raised within this report have already been addressed by the EPP team but have still been reported to reflect the programme as it was during 2008/09.

There are four high risk recommendations made within the report, all relating to concerns about payments made on specific projects that may not be valid and, that might result in EEDA clawing back funding.

Scope & Objectives

To ensure that:

- Governance and decision-making arrangements are robust to ensure the programme is effectively managed and delivered.
- Resources and skills are adequate to ensure the successful delivery and management of individual projects and the programme.
- The Project management systems are adequate to ensure that projects are aligned to the programme objectives, have appropriate outputs and outcomes defined and local indicators (where applicable) and meet EEDA's appraisal and monitoring requirements.
- Programme evaluation systems are adequate to ensure that the impact of projects is ascertained, disseminated and fed back into future activity.
- Internal control systems are adequate to ensure that monies claimed from EEDA have been defrayed, outcomes and local indicators declared have been achieved as stated and reported accurately, and that adequate documentation is available in support of claims to EEDA.
- The Local Authority internal audit arrangements over the management and delivery of EEDA's corporate programmes enable EEDA to take reliance that the required assurance framework is in place.

Conclusion

There have been a number of staff changes within the EPP team since the programme began, including the year under review, which can cause difficulties in such a small team (three officers at the end of 2008/09 and now only two). Some of the communication problems with EEDA highlighted within the report may stem from such changes in the managership of the team but the current EPPM, who took up the post in October 2008, has a good grasp of the programme requirements and a determination for it to succeed.

As a result of lessons learned, procedural changes have already been implemented to improve the management and monitoring of the programme. Although some of the funding from 2008/09 might be clawed back by EEDA, more lessons will be learned from this situation, whether or not the reclamation takes place.

Although the audit opinion for 2008/09 is limited assurance, this does not detract from the hard work put in by all the team. With the improvements already made since the year end, the prospects are good for an improved rating in 2009/10.

Audit Opinion

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion. The audit opinion is LIMITED ASSURANCE.

Env4330-02: Summary

The purpose of this Internal Audit review was to ensure that Blue Badges (parking permits for disabled people) are being stored securely.

Key findings include: the holding of excessive stocks; insecure storage of the wallets that help to validate the authenticity of the permit holder; and an incomplete record of permits issued. Based on the work undertaken by Internal Audit, the current control environment is assessed as LIMITED ASSURANCE. However, the team is actively striving to address the control issues and the introduction of the recommendations should improve control processes significantly.

Chi2325-02: Summary

Concerns were raised that a small number of officers were claiming excessive mileage. A review conducted by Internal Audit found no evidence of this. However, the review concluded that mileage forms were not always completed in enough detail to enable the manager to properly verify and authorise the claim. As a result only LIMITED ASSURANCE could be given that the claims examined were reasonable. The recommendations made were agreed and have already been implemented.

Env4396-01: Summary

Internal Audit was informed of a suspected shortfall in cash of £143.81. The shortfall was discovered on 30th June 2009 when the cash collected in relation to 26th, 27th and 29th June was prepared for banking.

Internal Audit analysed the paperwork and supporting records for the above dates and found that no cash was missing, but that mistakes had been made when recording the amounts collected. A review of income collection and banking procedures was then undertaken and recommendations made to improve the process.

It is pleasing to note that the Team Manager took immediate steps to assist in identification of the missing money, and also highlighted 12 areas for improvement in controls. Internal Audit consider all actions taken are appropriate and have been implemented, therefore they have not been re - iterated within Appendix 1.

This audit was conducted in accordance with CIPFA's Code of Practice for Internal Audit in Local Government that requires compliance with relevant auditing standards. The audit was planned and performed so as to obtain all relevant information and sufficient evidence to express an opinion.

The audit opinion is LIMITED ASSURANCE. The opinion is not a reflection of the immediate response, but the additional control issues that remain outstanding.

REVISED INTERNAL AUDIT PLAN 2009/2010

REVISED AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
SYSTEMS ACTIVITY	To review the design and operation of key systems to assess whether they are fit for purpose and allow the s151 officer to make his statement included in the Annual Accounts, on the reliability of the supporting financial systems. The fundamental systems - those which are critical to the operation of the council) are reviewed annually; others will be reviewed cyclically dependent on risk.										
Main Accounting / Financial Accounting		✓						8.01	Poor Financial Management	AF36	Financial management and strategy
Accounts Payable • Ordering / Receiving / Payments • Purchasing Cards -Central Controls - Directorate/Business Support Activity	✓	✓						8.01	Poor Financial Management	AF36	Financial management and strategy
		✓						8.02	Procurement Strategy does not deliver	AF37	Procurement
Sundry Billing / Debt Recovery Reduced Scope		✓						8.01	Poor Financial Management	AF36	Financial management and strategy
Housing and Council Tax Benefits		✓						-	-	AF36	Financial management and strategy
Council Tax Reduced Scope		✓						-	-	AF36	Financial management and strategy
Business Rates Reduced Scope		✓						-	-	AF36	Financial management and strategy
Cash / Banking Reduced Scope		✓						-	-	AF36	Financial management and strategy

Budgetary Control (Revenue)			✓				✓	8.01	Poor Financial Management	AF36	Financial management and strategy
Budgetary Control (Capital)		✓						1.12	Impact of the Credit Crunch	AF12	Credit Crunch
								8.01	Poor Financial Management	AF36	Financial management and strategy

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SYSTEMS ACTIVITY	CONTINUED										
Treasury Management		✓						1.12	Impact of the Credit Crunch	AF12	Credit Crunch
								8.01	Poor Financial Management	AF36	Financial management and strategy
								8.08	Investments	AF43	Appropriate investment strategy
HR / Payroll Reduced Scope			✓					1.02	Staff retention in key areas	AF02	Management of staff
								-	-	AF36	Financial management and strategy
Teachers Pensions Returns			✓		✓			-	-	AF36	Financial management and strategy
Asset Management • Fixed Asset Accounting • Capital Receipts / Asset Disposal Programme		✓						4.01	Schools Phase 2 and Building Schools for the Future	AF18	Gateway reviews of capital schemes
								8.01	Poor Financial Management	AF36	Financial management and strategy
								8.04	Asset Disposal Programme is not achieved	AF39	Estate utilization

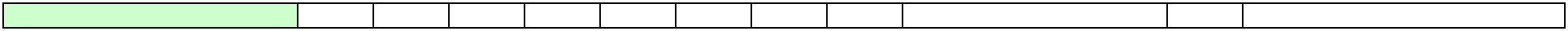
REVISED AUDIT ACTIVITY 2009 / 2010	ALL	Strategic Resources	Assistant Chief Exec	Primary Care Trust	Children Services	City Services	Operations	Risk Ref	Strategic Risk Register Risk	A F Ref	Assurance Framework Key Control Area
ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	Each year the Council is obliged to issue a statement on the effectiveness of its governance arrangements. In particular it is expected to assess its arrangements against the six principles of good governance as recommended by CIPFA / SOLACE.										
Arrangements for production of AGS	✓	✓						8.03	Comprehensive Area Assessment (CAA)	AF38	CAA transition
								-	-	AF44- AF49	Good governance principles
								-	-	AF52	Effective corporate governance arrangements are embedded
Other Governance Arrangements -ICT Managed Service -PPCT -Shared Services								1.06	PCT Changes	AF06	PCT partnership working
		✓		✓				1.11	Governance Arrangements for Partnerships	AF11	Governance arrangements for partnerships
		✓						1.13	Shared services	AF13	Transition to shared service functionality
Annual Audit Opinion		✓						8.03	CAA	AF52	Effective corporate governance arrangements are embedded
Annual Audit Planning and Review		✓						-	-	-	-
Anti Fraud Culture - National Fraud Initiative - Anti Fraud Liaison - Fraud Control Reviews	✓		✓ ✓					-	-	AF44- AF49	Good governance principles

Risk Management - Strategic - Operational	✓ ✓	✓						-	-	AF54- AF55	Risk management processes robust and embedded
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ANNUAL GOVERNANCE AND ASSURANCE FRAMEWORK	CONTINUED										
Business Continuity and Disaster Recovery	✓							1.08	Major illness impact	AF08	Health and safety
								1.09	Business Continuity	AF09	Business continuity and resilience
								8.07	Corporate manslaughter	AF42	Health and safety coordination
Data Quality -links to LPSA	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
								-	-	AF53	Effective performance management arrangements
								-	-	AF60	Data quality arrangements
Data Security	✓							1.13	Shared services	AF13	Revenues and Benefits data security arrangements
								-	-	AF59	Safeguarding electronic data
Internal Audit Effectiveness		✓						-	-	AF52	Effective corporate governance arrangements are embedded
								-	-	AF61	Audit recommendations implemented
Follow up Reviews	✓							-	-	AF61	Audit recommendations implemented
Assurance Framework	✓							8.03	CAA	AF52	Effective corporate governance arrangements are embedded
CAA / UoR Support		✓						8.03	CAA	AF52	Effective corporate governance

											arrangements are embedded
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STRATEGIC AND OPERATIONAL RISKS	Audit provides support to Council and Directorate objectives by testing the effectiveness of controls designed to mitigate identified risks.										
Review processes in place to mitigate the impact of the credit crunch	✓							1.12	Impact of the Credit Crunch	AF12	Credit Crunch
Review arrangements for the creation of Arms Length Management Organisation (ALMO) – To be deferred until 2010/11			✓			✓		5.02	Creation of ALMO	AF31	ALMO
Arrangements to mitigate and adapt to the impacts of Climate Change							✓	6.03	Failure to mitigate and adapt to the impacts of Climate Change	AF34	Climate Change
Environmental Management - Data Collection (EMS) Deferred until 2010/11							✓	6.02	Environmental capital aspirations	AF33	Environmental management
								6.03	Failure to mitigate and adapt to the impacts of Climate Change	AF34	Climate Change
								8.05	Waste management and recycling	AF40	Recycling rates
Safe Recruitment to include CRB	✓				✓			4.04	Children staying safe	AF21	Child protection
								8.03	CAA	AF65	Safe Recruitment
Planning Obligations Scheme			✓					1.07	Implications of the Growth Agenda	AF07	Deliver Master Plan Regeneration Sustainability
EDRMS – review b/fwd from 2008/09 due to project delays		✓						-	-	AF59	Safeguarding electronic data



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STRATEGIC AND OPERATIONAL RISKS	CONTINUED										
Business Change / Transformation Programme – Recently reviewed by PwC	✓							8.04	Procurement Strategy does not deliver	AF37	Procurement
Key Theatre							✓	-	-	AF57	Effective governance
Social Care Placements					✓			-	-	AF57	Effective governance
Processes for Payments to Clients and VFM					✓			-	-	AF57	Effective governance
Clare Lodge – Audit commencement deferred at the clients request					✓			-	-	AF57	Effective governance
Westcombe Industries						✓		-	-	AF57	Effective governance

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SCHOOLS & COLLEGES	On a 3 year cyclical basis we carry out audits of schools to ensure that they are following correct financial procedures, and are complying with council policies. Internal Audit also act as the External Assessor for the Financial Management Standard in Schools (FMSiS).										
Schools - Voyager School - Bushfield Community College Closure Arrangements					✓			-	-	AF57	Effective governance
FMSiS - 23 Schools (Primary and Secondary) of - Quality Assurance Central FMSiS data					✓			-	-	AF57	Effective governance
PCAE					✓			-	-	AF57	Effective governance

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CONTRACT AUDIT / PARTNERSHIPS / PROJECT MANAGEMENT	Dependent on risk, we review a sample of projects each year to test whether the council's governance arrangements are being followed and that contracts provide vfm										
Reviews to include: Community Safety deferred until 2010/11 IT Project Reviews Investing in Communities Greater Dogsthorpe Partnership Agile Working Scheme deferred until 2010/11 Better Use of Property Assets Contracts Register – Replaced by Property Design and Maintenance	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
								1.13	Shared services	AF13	Revenues and Benefits agile working arrangements for data security
								6.01	Highways infrastructure conditions	AF32	Highways contracts
								8.03	CAA	AF52	Effective corporate governance arrangements are embedded
								8.04	Asset disposal programme is not achieved	AF39	Estate utilization
								-	-	AF62	New ways of working

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GRANT CERTIFICATION	Increasing, IA is being required by government departments to provide certification on grant claims. It is likely that the number of grant claims IA will be asked to certify will increase in future years.										
L A A	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
L P S A no further action required	✓							1.05	Unable to meet LAA Targets	AF05	Local Area Agreements
Grant Claim Certification (on behalf of PwC and Grants Team)	✓							-	-	-	-

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CORPORATE SUPPORT											
Consultancy & Control Advice	✓							-	-	-	-
Contingency for Rolled Forward Reviews / Unplanned Reviews	✓							-	-	-	-
Audit Committee Support		✓						-	-	-	-
PwC Liaison		✓						-	-	-	-
Strategic Resources Management		✓						-	-	-	-
Audit Management		✓						-	-	-	-

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