

APPENDIX A



HEAD OF INTERNAL AUDIT INTERNAL AUDIT PROGRESS REPORT 2011 / 2012 AS AT 30 SEPTEMBER 2011

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 Audit Committee up to date with the progress made against the delivery of the 2011 / 2012 Internal Audit Plan as at 30 September 2011. 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 28 March 2011;
 - Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process; 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	Definitions
Full	The system is designed to meet objectives/controls are consistently applied that protect the Authority from foreseeable risks.
Significant	The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.
Limited	There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.
No	Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority 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 and is for any control weakness that jeopardises the complete operation of the service. The prioritisation of recommendations is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	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.

2 **RESOURCING**

- 2.1 The staffing position in Internal Audit has remained as reported when the Annual Internal Audit Plan was agreed. This is made up of:

- Permanent Staff (Fte) 3.98
- Head of Internal Audit (share) 0.50
- Maternity Leave 1.00
- Vacant Posts 1.80

- 2.2 The reduction of 0.50 fte for the Head of Internal Audit shared service arrangement along with the member of staff on maternity leave 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 has now been re-evaluated as an auditor post rather than a trainee auditor. Arrangements to recruit to the vacant posts are due to commence in quarter 3 although it is not anticipated that the positions will be filled until quarter 4. These vacancies will have some impact on the ability to deliver the additional reviews highlighted within the audit plan that were subject to the vacancy being recruited to within the year.

- 2.3 **Sickness statistics are vastly improved** at 0.67 days per person to September 2011 compared to 5.6 days per person at the same time last year. This has enabled some additional work to be completed from within the plan relating to the vacant post.
- 2.4 **Post audit customer satisfaction questionnaires continue to demonstrate that audit reviews are meeting the needs of the organisation** with an average score of 4.46 / 5.00.
- 2.5 **As part of Internal Audits long term strategic plan to further increase working efficiencies the team are exploring the further development of the audit automated system currently in use.** This is being undertaken with the existing system provider and Cambridge City Council have expressed an interest in using the system as part of the shared service arrangement.

3 PROGRESS AGAINST AGREED AUDIT PLAN

Where audits are “shaded”, these represent all jobs not started at 30 September 2011.

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
CORE SYSTEM ASSURANCE WORK							
Housing Benefit	To commence quarter 4						
Council Tax	To commence quarter 4						
NNDR	To commence quarter 4						
Accounts Payable	To commence quarter 3						
Payroll System	To commence quarter 3						
Payroll – Teachers Pensions <ul style="list-style-type: none"> • Ken Stimpson • City College • Paston Ridings • The Beeches • St John Fisher 	Final report Final report In draft In draft In draft	Significant Significant	0 0	0 0	1 1	1 3	2 4
Accounts Receivable – Debt Recovery Process	To commence quarter 3						

Core / Fundamental systems are agreed with our External Auditors each year to ensure that the coverage meets their requirements in addition to our needs. The work undertaken is in accordance with our agreed Protocol.

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
ANNUAL GOVERNANCE / ASSURANCE ACTIVITIES							
Annual Governance Statement Assurance Framework	Complete Full report submitted to Audit Committee on 27 June 2011	N / A	N / A	N / A	N / A	N / A	N / A
Annual Audit Opinion	Complete Full report submitted to Audit Committee on 27 June 2011	N / A	N / A	N / A	N / A	N / A	N / A
Annual Audit Plan	To commence quarter 4						
Internal Audit Effectiveness	Work in progress						
Anti-fraud Culture: <ul style="list-style-type: none"> • National Fraud Initiative 	Ongoing work to look at fraud. In draft						
Partnership Governance	In progress, fieldwork completed.						
Information Governance	To commence quarter 3						
Project Governance	To commence quarter 4						

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
STRATEGIC and OPERATIONAL RISKS							
Carbon Management	Fieldwork completed. Works being quality reviewed						
Localism Bill	To commence quarter 3						
Schools <ul style="list-style-type: none"> Hampton Vale Credit/Debit Card Processes Orton Wistow Credit Card Procedures 	In draft In draft						
OP / Peterborough Development Partnership	In progress						
Partnership Management <ul style="list-style-type: none"> ICT Managed Service 	At planning stage						
Project delivery <ul style="list-style-type: none"> Manor Drive Initiative – CIA Consultancy 	In progress						
EXTERNAL WORK							
Vivacity As part of our Service Level Agreement with Vivacity, we have been commissioned by them to undertake a series of 8 reviews during the year.	Two reviews in progress	N / A	N / A	N / A	N / A	N / A	N / A

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
OTHER CORPORATE SUPPORT: Carry Forward Activities							
Risk Management	At review stage						
Delivering through Localities – Invoice Procedures	Final report As the opinion is either Limited or No Assurance, in accordance with our audit reporting arrangements the Executive Summary is reported to Audit Committee. This is on the report for 7 November 2011.	Limited	0	1	4	0	5
Economic Participation Process	Final report	Significant	-	-	-	-	-
Accounts Payable	At review stage						
Capital Budgetary Control	At review stage						
Bishop Creighton Governor Complaint	Final report	N / A	N / A	N / A	N / A	N / A	N / A
Vivacity (3 reviews)	Final report	N / A	N / A	N / A	N / A	N / A	N / A
Hampton Vale Follow up	In draft						
Council Tax 2010/11	Final report	Significant	0	1	1	2	4
Business Rates 2010/11	Final report	Significant	0	1	3	2	6
Payroll 2010/11	Final report	Significant	0	0	5	6	11
Duke of Bedford FMSIS	Final report	Significant	0	1	5	3	9
Winyates FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
St Augustines FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
OTHER CORPORATE SUPPORT: Carry Forward Activities							
Woodston FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Welbourne FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Hampton College FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
The Beeches FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Dogsthorpe Infants FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Winyates FMSIS Follow up	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
OTHER CORPORATE SUPPORT: Grant Claim Certification							
Grants							
<ul style="list-style-type: none"> • GAF OP Grant 2010/11 • GAF 3 Grant 2010/11 	Assurance Letter Assurance Letter	N / A N / A	N / A N / A	N / A N / A	N / A N / A	N / A N / A	N / A N / A

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
OTHER CORPORATE SUPPORT: Follow Up Provision							
Agile working	Final Report	N / A	N / A	N / A	N / A	N / A	N / A
Right to Work	Final Memo	N / A	N / A	N / A	N / A	N / A	N / A
Internal Health and Safety	In progress						
Youth Offending Service	Final Memo	N / A	N / A	N / A	N / A	N / A	N / A
Hampton Hargate	Final Memo	N / A	N / A	N / A	N / A	N / A	N / A
Marshfields	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Eye C of E	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Heritage Park	Final Memo	N / A	N / A	N / A	N / A	N / A	N / A
Southfield Primary	In progress						
Braybrook Primary	In progress						
Queens Drive Infants	In progress						
Future Jobs Fund	In progress						
Purchasing Cards 2011/12	In progress						
Fulbridge Primary	In progress						
Dogsthorpe Juniors	In progress						
Duke of Bedford	In progress						
Thorpe Primary	In progress						

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
OTHER CORPORATE SUPPORT: Requested Work Contingency							
Peterborough Register Office – Income procedures	In draft						
Orton Wistow CC procedures	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Routewise	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Supplier Query	Final memo	N / A	N / A	N / A	N / A	N / A	N / A
Business Support – Imprest Procedures	In progress						
Duplicate payment testing	In progress						
Committee Support	On going						

AUDIT ACTIVITY	STATUS	ASSURANCE OPINION	AGREED ACTIONS				
			Critical	High	Medium	Low	Total
<u>ADDITIONAL WORK POSSIBLE WITH VACANCY FILLED</u>							
STRATEGIC and OPERATIONAL RISKS							
S106 Developer Contributions	In progress						
Contracting							
Neighbourhood Councils							
Community Buildings							
Clare Lodge							
IT Security							
Internet Usage							
Elective Home Education	In draft						
Buyback Arm – School Improvement							
Placement Strategy							
Learning Disability Services							
Health and Safety							

4 **KEY ISSUES ARISING**

4.1 **Audit Reports: Assurance**

To ensure transparency of our activities, the Audit Committee is provided with a précis of Executive Summaries where the audit opinion is considered to be No or Limited Assurance. Finalised audit activities that have been highlighted within these criteria since the last Audit Committee are identified as follows:

Audit Title	Delivering through Localities – Invoice Procedures Memo and Action Plan
Scope	The purpose of the Internal Audit review was to review the internal controls within the purchasing process as a result of the delay in payment of two invoices at the request of the Assistant Director, Education and Resources. This delay in payment to the supplier was as a result of the invoices remaining unprocessed due to a breakdown in procedures with regards to the Oracle system.
Findings	<ul style="list-style-type: none"> • Oracle procedures are not always followed with regards to receipting of goods and use of delivery notes resulting in timing issues; • A general housekeeping exercise regarding requisitions needs to be undertaken to ensure accurate information is recorded within the system; • There is a requirement to address any training needs to ensure a consistent approach across teams
Conclusions	The control environment has been assessed as having Limited Assurance.

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