

Subject:	Internal Audit Progress Report 2013/14		
Date of Meeting:	19 November 2013		
Report of:	Executive Director of Finance and Resources		
Contact Officer:	Name:	Mark Dallen, Audit Manager	Tel: 29-1314
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 The purpose of this report is to update Members of the progress made against the Internal Audit Plan 2013/14, including outcomes of specific audit reviews completed and tracking of the implementation of recommendations.
- 1.2 The Audit and Standards Committee has a role in monitoring the activity and outcomes of internal audit work against the plan and receiving regular progress reports.
- 1.3 The report now includes information on the work undertaken by the Corporate Fraud Team.

2. RECOMMENDATIONS:

- 2.1 That the Committee notes the progress made in delivering the Annual Internal Audit Plan 2013/14.

3. BACKGROUND INFORMATION

- 3.1 The Accounts and Audit (England) Regulations 2011 require the Council to 'maintain an adequate and effective system for internal control in accordance with proper practices.' Proper practice is defined by Public Sector Internal Audit Standards.
- 3.2 The Internal Audit Strategy and Plan provides the framework to deliver this service ensuring the most appropriate use of internal audit resources to provide assurance on the Council's control environment and management of risks.
- 3.3 The Audit Plan sets out an annual schedule of those systems including core financial systems, governance frameworks, IT audits and other key operational systems.
- 3.4 Amendments to the plan are approved by the Executive Director of Finance and Resources and are reported as part of this monitoring report.

4. PROGRESS AGAINST THE AUDIT PLAN

- 4.1 A total of 18 reports now been finalised for the year to date. The 7 finalised since the last meeting are.

Final Audit Reports	Assurance Opinion*	Number of Recommendations (High and Medium Priority)
Schools Financial Services - Central Reconciliations and SFVS	Substantial	1
Use of Consultants and Agency Workers	Substantial	1
Discretionary Funds	Substantial	2
Extra Care	Substantial	1
Housing Locata System- IT Application Audit	Reasonable	11
Electronic Document Records Management (IDox) – IT Application Audit	Reasonable	11
Members Allowances	Substantial	1

Note.* A definition of the Assurance Opinions given is provided in Appendix 1.

- 4.2 In addition there are 16 reviews where draft reports have been issued and are in the process of being finalised.
- 4.4 The total of draft and final reports is 34 at this point of the year which represents 31% of the approved audit plan. Another 20 audit reviews are underway.
- 4.5 An appointment has now been made to a vacant position in the team (expected start date December 2013) but there is one member of the team on long term sick leave.

5. CHANGES TO THE APPROVED AUDIT PLAN.

- 5.1 In consultation with the Executive Director of Finance and Resources a number of reductions to this years audit plan are proposed. These are detailed below and include some adjustments to the ICT audit programme and where audits repeat those carried out in 2012/13. These changes will not impact significantly on audit coverage and will assist in balancing audit resources to plan requirements. In total the changes remove 104 days from this years audit plan.

Audit Title	Reason for plan amendment
Whistleblowing	This was covered by a Human Resources review reported to this Committee in September 2013.
Public Services Network (The Link)	This was reviewed in 2012/13 and report November 2012 with Substantial Assurance given. A review of the contract management arrangements will be scheduled for the first quarter of 2014/15.
Direct Payments	Direct Payments and Personal Budgets for Adult Social Care was audited in both 2011/12 and 2012/13 and Reasonable Assurance given. An audit will be scheduled for 2014/15. An audit of Direct

	Payments and Personal budgets for Children's Services is in progress at the current time.
Personal Budgets	Comments as per above
Street Cleansing	Rescheduled for 2014/15. Operational reasons
Employee Overtime and Allowances	This audit has been rescheduled for earlier 2014/15 to allow the Pay Modernisation changes to embed.
Homecare	Duplicates 2012/13 review which gave Reasonable Assurance. Rescheduled for 2014/15
Local Area Network (LAN)	Rescheduled for 2014/15 to assist with IT workload.

6. Corporate Fraud Team Work

6.1 Outcomes for housing benefit fraud for the year to date are:-

Outcome	Year to Date	This Period
Prosecutions	21	3
Cautions	2	1
Administration Penalties	10	2
Overpayments	£621,809	£268,739

6.2 With regard to housing tenancy fraud the position is as follows:-

Outcome	Year to Date	This Period
Housing Stock returned	5	0

6.3 In addition to the above one housing association property was identified as being unoccupied in the course of a housing benefit fraud investigation. This has now been returned to the housing associations' stock.

6.4 One member of staff was dismissed for benefit fraud.

National Fraud Initiative Update

6.5 The council has once again participated in the National Fraud Initiative. This is a national data matching exercise that is carried out by the Audit Commission. The council is legally obliged to supply the data and is required by law to protect the public funds it administers.

6.6 The exercise has now resulted in £207,000 in overpayments being identified for the year to date." This figure is split as follows creditors £1,662 Private residential Care Home Payments £15,590 and Housing Benefits £190,000.

6.7 The National Fraud Initiative is usually conducted every two years. However there is now a facility whereby council's can now submit some datasets on a more regular basis via a flexible data matching service. The benefits of using this facility are currently being appraised.

7. IMPLEMENTATION OF RECOMMENDATIONS

- 7.4 Since last reported we have issued 7 Implementation Reports and followed-up on a total of 102 recommendations. The results of this exercise are summarised below.

Number of Recommendations Followed Up (Year to Date)	Implemented*	% Compliance
105	83	79%

* Includes both fully implemented and part implemented

- 7.5 Where recommendations have not been implemented further action is being considered on a case by case basis.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 It is expected that the Internal Audit Plan for 2013/14 will be delivered within existing budgetary resources. Progress against the Annual Internal Audit Plan and action taken in line with recommendations support the robustness and resilience of the councils practices and procedures and support the councils overall financial position.

Finance Officer Consulted: James Hengeveld

Date: 22/10/2013

Legal Implications:

- 8.2 Regulation 6 of The Accounts & Audit Regulations 2011 requires the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. It is a legitimate part of the Audit & Standards Committee's role to review the level of work completed and planned by internal audit.

Lawyer Consulted: Oliver Dixon

Date: 22/10/2013

Equalities Implications:

- 8.3 There are no direct equalities implications arising directly from this report

Sustainability Implications:

- 8.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 8.5 There no direct implications for the prevention of crime and disorder arising from this report.

Risk and Opportunity Management Implications:

- 8.6 The Internal Audit Plan and its outcome is a key part of the Council's risk management process. The internal audit planning methodology is based on risk assessments that include the use of the council's risk registers.

Corporate / Citywide Implications:

- 8.7 Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

SUPPORTING DOCUMENTATION

Appendices:

1. Internal Audit Report Assurance Levels: Definitions

Background Documents

1. Internal Audit Plan 2013/14
2. Public Sector Internal Audit Standards
3. Accounts and Audit Regulations 2011

APPENDIX 1.

Internal Audit Report Assurance Opinions: Definitions

FULL	There is a sound system of control designed to achieve the system and service objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.
SUBSTANTIAL	No significant improvements are required. Whilst there is a basically sound system of control (i.e. key controls), there are weaknesses, which put some of the system/service objectives at risk, and/or there is evidence that the level on non-compliance with some of the controls may put some of the system objectives at risk and result in possible loss or material error. Opportunities to strengthen control still exist.
REASONABLE	The audit has identified some scope for improvement of existing arrangements. Controls are in place and to varying degrees are complied with but there are gaps in the control process, which weaken the system and result in residual risk. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Council.
LIMITED	Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve control or compliance will lead to an increased risk of loss or damage to the Council. Not all major risks are identified and/or being managed effectively.
NO	Control is generally very weak or non-existent, leaving the system open to significant error or abuse and high level of residual risk to the Council. A high number of key risks remain unidentified and/or unmanaged.

