

## **AUDIT and GOVERNANCE COMMITTEE – 19 SEPTEMBER 2012**

### **INTERNAL AUDIT 2012/13 PROGRESS REPORT AND QUARTER 3 PLAN**

**Report by the Assistant Chief Executive and Chief Financial Officer**

#### **INTRODUCTION**

1. The Internal Audit Plan for Quarter 3 is attached as appendix 1 to this report, and includes a progress status on the previously reported planned activity.
2. The Q3 Plan has not yet been discussed with the Directorate Leadership Teams, therefore may be subject to change. The Plan for Environment and Economy is yet to be determined, and will be subject to further discussion with the Director and his leadership team.
3. During Q3 the emphasis will be on contract audit activity across the Directorates. We have recently appointed a Contract Auditor on a fixed term contract through to May 2013. Their first task will be to develop a plan for the remainder of the year.
4. In Q3 we will also be scoping our annual reviews of Key Financial Systems. This will be completed in consultation with the new External Auditor, Ernst and Young

#### **RESOURCES**

5. There are two vacancies we have yet to fill. A Principal Auditor post and a Senior Auditor post. Recruitment to these roles has been very disappointing. We are currently reviewing the resourcing strategy again as a result of this, and are considering recruiting to a lower grade, at a trainee level, developing the skills ourselves.
6. The Principal Auditor currently on maternity leave has decided not to return to her post and has resigned, leaving in September 2012. We have used the vacancy in the short term to fund the Contract Auditor post.

#### **2012/13 AUDIT PLAN**

7. There have been two audits concluded since the last progress report to the Committee:
  - **Local Transport Capital Block Funding Specific Grant 2011/12**

The Chief Internal Auditor and the Chief Executive are required to sign an assurance statement confirming the grant has been spent in accordance with the grant instructions. For this grant, which is non-ring fenced, the requirement was only that it is used for capital expenditure. We have been able to sign the assurance statement.

- **Education and Early Intervention Hubs - Data and Performance Management 2012/13**

Our overall conclusion is Acceptable. There is a sound system of internal control in which risks are being managed to acceptable levels.

Having been established in September 2011 the service is still developing and work still on going to solve missing data issues and ensuring the performance information is as reliable as possible, on which management decisions are based. Since the service has started a lot of work has gone into training staff on system usage, solving queries, completing the data set and cleansing existing data. This has subsequently resulted in a significant improvement in the reliability of the performance information being extracted from the system. Despite delays in implementation of the project milestones, continual monitoring has taken place within the Data Task and Finish Group and completion has now been rescheduled for December 2012. The Early Intervention Hubs Development Project Steering Group oversees the work of the Task and Finish Group and is in place to challenge any further delays if necessary.

Of particular note are the consistent training, well detailed guidance and procedure notes and effective management oversight, which have resulted in a standard working practice for recording and maintaining data, whilst still retaining a local culture, at each Hub, essential for delivering the bespoke services required. This standard approach allows for consistent performance information to be extracted from the system, with which the service as a whole can be directed.

The two management actions raised in the previous management letter, relating to the review of Hubs systems (part 2) have both been fully implemented.

## **Counter - Fraud**

### **Investigations**

8. The Audit Working Group has been updated on recent and on-going investigations. The outcome from the investigations has yet to be determined by Senior Management.

### **Proactive Testing**

9. This work will commence in Q3, subject to resources being used on actual investigations.

### **National Fraud Initiative (NFI)**

10. Preparations continue for the 2012/13 NFI exercise. Fair process notices are being issued in accordance with NFI guidance, and key stakeholders are being engaged for the production of the data sets in October 2012.

### **Counter-Fraud Work Plan**

11. We are currently working with HR to prepare management and staff awareness briefings on governance, internal control and fraud, to be delivered during Q3 and Q4

### **RECOMMENDATION**

**The Committee is RECOMMENDED to note the report.**

Ian Dyson  
Chief Internal Auditor

Background papers: None.

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