

AUDIT & GOVERNANCE COMMITTEE – 21 NOVEMBER 2012

REPORT OF THE AUDIT WORKING GROUP (AWG)

The Audit Working Group met on 8 November 2012

The meeting was attended by:

Cllr. Wilmshurst – Chairman; Cllr. Mathew; Cllr. Smith; Dr. Jones (via teleconference); Ian Dyson; Peter Clark.

Part meeting only: Sue Scane; Lorna Baxter; Claire Phillips; AWG5 and AWG6 Lucy Butler; AWG6 Sally Purbrick; AWG7 Sean Collins and Paul Ashby.

Observer: Cllr. Couchman; Cllr. Darke.

AWG WORK PROGRAMME ITEMS

The main business items of the meeting were as follows:

AWG 4 Internal Audit Report

AWG 5 Internal Audit Report - SCS Personal Budgets

AWG 6 Internal Audit Report - SCS Adult Social Care Management Control

AWG 7 Accounts Payable / Procure to Pay Project

AWG 8 Annual Governance Statement Process - External Inspection Reports

AWG 9 AGS Action Plan progress update

AWG 10 Risk Management Update

MATTERS FOR REPORT TO THE AUDIT COMMITTEE:

Matters Arising:

SAP Roles: The Group was updated by the Chief Internal Auditor. The review of separation of duties conflicts within existing SAP roles will be conducted January - March 2013. The results will be brought back to the AWG.

Risk Management: At the last meeting (10 September 2012) the Group asked for clarification on the mitigation in place for the "Financial Climate" risk highlighted under Adult Social Care. The mitigation plan is currently being worked on and will be circulated once available. The timescale is not yet known, but a target date will be reported at the Audit & Governance Committee on 21 November 2012.

AWG4 Internal Audit Report

The Group noted further examples of unacceptable governance and financial control being highlighted from the work of Internal Audit; in particular instances within team based audits where absent controls and non-compliance mean probity cannot be confirmed, leaving exposure to the risk of theft and fraud. The Chief Internal Auditor confirmed that these issues are being highlighted to the Directors, and governance / anti-fraud workshops have started. The first meeting has been held with the CEF Extended Management Team, and further lunchtime sessions for their staff are being planned for January 2013.

It was noted that overall good progress is being made with the implementation of management actions; however, the Group was concerned that the priority 1 actions arising from the Knights Court audit are not yet complete, with the implementation dates being changed each report. The Group also requested future reports highlight where priority 1 actions are restated for example when audits are repeated.

AWG5 Internal Audit Report - SCS Personal Budgets

This audit resulted in an opinion of "unacceptable" control. Lucy Butler, Deputy Director, Adult Social Care, and Sally Purbrick, Strategic Finance Manager, attended the meeting and assured the Group that management action is being taken. The Group was pleased to note that in addition to the specific management actions in the audit report, the teams are now working more closely and are looking at the adequacy of existing resources for the management of direct payments; and, reviewing current systems and processes to see if there is an opportunity for more efficient ways of working. The Deputy Director agreed to report back on progress at the next AWG (14 February 2012).

AWG6 Internal Audit Report - SCS Adult Social Care Management Control

The Deputy Director, Adult Social Care also attended for this item, as this was another audit that resulted in an opinion of "unacceptable" control; however, the Group noted that the Deputy Director, (who has only been in post since August 2012) and her team had already been identifying some of the key issues, and therefore the audit process was used to support and clarify the management concerns. Before the conclusion of the audit, the Deputy Director was taking action, and has established an Adult Social Care Operational Governance Group to identify actions and to monitor progress and effectiveness of those actions. The Deputy Director agreed to report back on progress at the next AWG.

AWG 7 Accounts Payable / Procure to Pay Project (P2P)

The Group heard that phase 1 of the P2P project has been concluded with an improvement plan set out that will address the control issues identified in the audit report. It was noted that the various project streams for phase 2 of the P2P project did not appear to include action on the risk of duplicate payments that had been highlighted in the audit report. Officers acknowledged it was not clear from the report, however explained that it would not have a work stream of its own, but is an inherent part of all the other work streams, which when completed should ensure the risk of duplicate payments is managed to an acceptable level.

The P2P project is wider than just resolving the control issues; the remit is to review all P2P processes to ensure they are the most efficient and effective to support the operational needs of the business. This could mean that a standard "one size fits all" procedure is no longer relevant for the size and diversity of our organisation. It was noted that the timescale for introducing regular management reporting to monitor compliance and performance, as set out in the Annual Governance Statement Action Plan, has been put back to 31 March 2013. It was explained that meaningful performance targets will not be established until the project stream looking at specific directorate/team requirements has been concluded.

The Group is recommending to the Committee that progress reports are regularly received. It was noted that the P2P Board is meeting at the end of December, and then again at the beginning of February, it is therefore suggested that an update

from the December project board is brought to the A&G Committee on 16 January 2013; an update from the February board meeting to the AWG on 14 February 2013.

AWG 8 Annual Governance Statement Process - External Inspection Reports

The Group was disappointed to note the ad-hoc nature of external inspections, when previously routine external inspections provided some independent assurance. The Group agreed the officer's recommendation in the report, and is submitting it to the Committee for agreement, but in addition suggested that the outcome of all external inspections should as a matter of course be reported to the relevant Scrutiny Committee for information and consideration through the Directors update report.

Subject to the agreement of the Group's recommendations to the Committee, these changes will be incorporated into a review of the Annual Governance Statement Framework, due to be reported to Committee in January.

AWG 9 AGS Action Plan Progress Update

There are no matters to report. The Corporate Governance Assurance Group continues to monitor the actions.

AWG 10 Risk Management Update

There are no matters to report. The report from Zurich and an update on changes to the business management reporting will be presented to the A&G Committee at the meeting on 21 November 2012.

Work Programme

The updated work programme is attached as annex 1 to this report.

RECOMMENDATIONS

The Committee is RECOMMENDED to:

- (a) note the report;**
- (b) receive a progress update on the Procure to Pay project at the meeting on 16 January 2013;**
- (c) agree the Corporate Governance Assurance Group should maintain an overview of external inspections and reports throughout the year; reporting any governance issues to the Audit & Governance Committee at the earliest opportunity;**
- (d) request that all Directors include full details of any external inspections received in their regular update reports to Scrutiny Committees.**

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

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November 2012

ANNEX 1

AUDIT WORKING GROUP WORK PROGRAMME 2012/13

2013

Thursday 14 February

- Internal Audit Report – Ian Dyson
- P2P project progress report - Sean Collins
- SCS Personal Budgets Progress Report - Lucy Butler
- SCS Adult Social Care Management Control Progress Report - Lucy Butler
- Risk Management Report – Claire Phillips
- Quarterly Update AGS Action Plan – Kathy Wilcox
- Draft work programme 2012/13 – Ian Dyson
- Review of AWG Terms of Reference – Ian Dyson

Wednesday 27 February

SPECIAL MEETING IMMEDIATELY FOLLOWING THE AUDIT & GOVERNANCE COMMITTEE

- Private Session with External Auditors - TBC
- Private Session with the Assistant Head of Finance (Audit)

Last updated: 8 November 2012

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