

Division(s): N/A

AUDIT & GOVERNANCE COMMITTEE – 19 SEPTEMBER 2012

INTERNAL AUDIT 2012/13 PROGRESS REPORT AND QUARTER 4 PLAN

Report by the Assistant Chief Executive & Chief Finance Officer

INTRODUCTION

1. The Internal Audit Plan for Quarter 4 is attached as Appendix 1 to this report, and includes a progress status on the previously reported planned activity.
2. There have been 18 audits completed since the last report; the audit opinions and summary of findings is attached appendix 2 to the report.
3. Appendix 2 also contains the summary of findings from the 2011/12 audit of the Youth Offending Service. This has not been reported previously as immediately following the audit a management investigation, and then a subsequent Internal Audit investigation was commissioned. These investigations have now concluded.
4. The Q4 Plan has been discussed and agreed with the Directorate Leadership Teams.
5. During Q4 the main emphasis will be on completing the Governance Programme and also the Key Financial Systems. We are working closely with Ernst and Young on the key financial systems work so that their needs and ours are met with minimum disruption to staff.
6. This report also contains an update on progress with the Counter-Fraud Plan, the detail of which is attached as appendix 3.

2012/13 AUDIT PLAN

7. There have been 18 audits concluded since the last progress report to the Committee, summaries of findings and current status of management actions are detailed in appendix 2:

Directorate	Title	Opinion
CEF	Governance and Financial Management - Information Governance	Issues
CEF	Governance and Financial Management Establishment Audit - Riverside Centre	Unacceptable
CEF	Childrens Social Care - Management Controls.	Issues
SCS	Governance and Financial Management - Information Governance	Issues
SCS	Personal Budgets including Direct Payments	Unacceptable

SCS	Adult Social Care - Management Controls	Unacceptable
SCS	SCS Mental Health Reviews	Issues
CEO	Governance and Financial Management - Information Governance	Issues
	Corporate Governance and Financial Management - Information Governance - Corporate Issues	Issues
CEO	Capital Accounting	Acceptable
CEO	Treasury Management	Acceptable
CEO	Pension Fund	Acceptable
EE	Governance and Financial Management - Information Governance	Issues
EE	Governance & Financial Management Establishment audit - Facilities Management Samuelson House	Issues
EE OCS	Payment Card Industry (PCI) Compliance	Acceptable
EE ICT	Remote Access	Acceptable
EE ICT	Telephony Infrastructure Project Review	Issues
EE ICT	SAP System	Acceptable

8. There is one variation in the 2012/13 Plan to note. It was expected that a follow up audit of the Integrated Transport Unit within Environment and Economy would be undertaken this year; however as a result of two special investigations recently carried out by Internal Audit in that area, in which further management actions have been identified, it has been agreed with the Director the follow up should be deferred until 2013/14. (More details of the special investigations are found in the Counter-Fraud section of this report).

Performance

9. Our current performance against the indicators is as follows:
Exit meeting within 3x audit days = 60%
Issue of draft report within 15 days of exit meeting = 85%
Issue of final report within 15 days of draft = 69%

The Audit Working Group continues to receive detailed reports on outstanding management actions, and this is contributing to the high levels of implementation being achieved. As at 3 January the status of actions on the audit tracking system for 2011/12 and 2012/13 are as follows:

640 actions being tracked
457 reported as implemented (71%)
110 not yet due (18%)
39 due but only partially implemented (6%)
14 have now been superseded (2%)
16 are due, but no update has been recorded (these are being followed up with the Directorate Leadership Teams)

Counter – Fraud

Investigations

10. There is one on-going fraud investigation which has not yet reached an outcome. Further information will be provided once this has been concluded.
11. There are three investigations that have now been concluded:

Youth Offending Service

Following the 2011/12 audit of YOS in which an opinion of "unacceptable" control was reported in respect of financial management; the Director requested a management investigation. Following this a whistle-blow was received and investigated by Internal Audit that included potential financial irregularity.

The investigations have not identified any instances of fraud, however, as highlighted by the original audit, practices and procedures within the team were poor, such that the probity of transactions could not be confirmed in all instances. A detailed management action plan has been agreed and implemented. A follow up audit is currently at fieldwork stage and is looking at whether the actions taken are complete and effective.

The investigations have highlighted training needs for some staff.

Integrated Transport Unit - Home to School Transport Contract

An external complaint in respect of a tender process was referred to Internal Audit for investigation. Consistent with the findings in the Internal Audit Report, the investigation found that controls over the tender process were not acceptable. Management actions are being taken to improve controls, and Internal Audit are meeting with the senior manager responsible to review progress at the end of January.

Integrated Transport Unit - Vehicle Maintenance

Internal Audit was asked to investigate allegations of financial irregularity and health and safety concerns in respect of the management of the Vehicle Maintenance Contract. The investigation found no instances of fraud; however it highlighted management control issues. A detailed action plan has been taken produced and Internal Audit are meeting with the senior manager responsible in January to monitor progress in implementation.

Proactive Testing

12. No proactive testing has been undertaken to date; however it is planned in Q4 that work on the Accounts Payable system will commence.

National Fraud Initiative (NFI)

13. The data sets for NFI 2012/13 have been submitted and accepted. E are anticipating receiving the first report by the beginning of February. These will be appraised and a decision taken at that point on priority for review.

Counter-Fraud Work Plan

14. The work plan has been refreshed, and is attached as appendix 3, including an update on progress.

RECOMMENDATION

The Committee is RECOMMENDED to note the report.

SUE SCANE

Assistant Chief Executive & Chief Finance Officer

Background papers: None.

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