

AUDIT and GOVERNANCE COMMITTEE - 15 JANUARY 2014

INTERNAL AUDIT 2013/14 PROGRESS REPORT AND QUARTER 4 PLAN

Report by the Assistant Chief Executive and Chief Financial Officer

INTRODUCTION

1. The agreed Internal Audit Plan for Q1, Q2 and Q3, 2013/14 is attached as appendix 1 to this report, and includes a progress status for those audits. Also included is the proposed Q4 plan. This report also includes as appendix 2 a summary of the completed audits, and the current status of the management action arising from those audits.
2. There have been some changes to the Internal Audit Team since the last report. We have recruited a Senior Auditor, Tessa Clayton who commenced employment at the end November 2013. The secondment of a Senior Auditor under the call off contract with Deloitte's has now ceased.
3. For information, notice was received in December that the public sector internal audit arm of Deloitte and Touche has been sold to Mazars. There is no direct impact for us as the contract remains intact, but regardless is due to end March 2014. At this stage there is no plan to go to tender for a new call off contract.
4. There has been unplanned pressure on the internal audit resources. There has been a significant demand on the in house team in responding to potential financial irregularities; and, significant additional time has been required from the in-house audit team to ensure a quality output from some audits that have been outsourced. The impact has been that we have suspended the proactive counter-fraud reviews, and deferred the Health and Safety governance audit until next year, reallocating some of the previously outsourced audits scheduled for Q4 to the in-house team.

2013/14 AUDIT PLAN PROGRESS

5. There have been ten audits concluded since the last update (provided to the September meeting of the Audit and Governance Committee; summaries of findings and current status of management actions are detailed in Appendix 2. The completed audits are as follows:

Directorate	2013/14 Audits	Opinion
E&E (OCS)	Microsoft Sharepoint Review 2013/14	Issues
E&E (OCS)	Microsoft Dynamics (Part 1) Review 2013/14	Issues
S&CS	Governance & Financial Management 2013/14 - West Oxon Daytime Support (Witney)	Acceptable
E&E (OCS)	Hosted Services (Part 1) Review 13/14	Issues
S&CS	G&FM 13/14 Abingdon Health & Wellbeing Centre	Issues
Fire & Rescue	Fire & Rescue Stores 2013/14	Issues
E&E (OCS)	Management Letter for the Proactive Review of cash handling within the Union Centre & procedures established at other centres 2013/14	Unacceptable
S&CS	Management Letter for the Proactive Review of cash handling within the Gypsy & Traveller Services 2013/14	Acceptable
S&CS	G&FM Prog Gov SCS 13/14	Issues
CEF	G&FM Prog Gov CEF 13/14	Issues
E&E	G&FM Prog Gov Corporate 13/14	Issues
E&E	Highways Audit	Issues

PERFORMANCE

6. Current performance against the three output indicators is mixed:
- Exit meetings - we are performing well with 85% of exits meetings being completed within acceptable timescale (three times the audit budget for the assignment)
 - Draft Reports - we are performing well with 81% of draft reports issued within 15 days of the exit meeting.
 - Final Reports - this is an activity we are not performing to the standards we have set. Currently only 56% of final reports have been issued within 15 days of the draft report. There are a number of issue identified as contributing to the delays; in part it is logistics whereby some of the more complex cross cutting audits require responses from several managers and senior managers before a final can be issued, but it is also due issues being identified through the quality review process that require correcting before completion.

COUNTER-FRAUD

NFI Update:

7. The NFI exercise identified 13,473 matches, of which the Audit Commission recommended we review 4,114. As at 2 January 2014, 1307 matches have been investigated and closed.

Current progress against each area is as follows:

- Creditors – No matches investigated as yet.
- Pensions – Matches have started being looked at no issues identified to date.
- Payroll – Immigration matches investigated and closed with no issues. No other payroll matches yet reviewed.
- Blue Badges – All blue badge matches have been investigated with no issues.
- Concessionary Travel Passes – Small number of matches have been investigated with no issues to date.
- Care Homes – Small number of matches have been investigated. One error noted which has resulted in a £4,868.74 overpayment which is in the process of being recovered.
- Insurance – Very small number of matches have been investigated with no issues to date.

Investigations:

8. The outcome of the Police investigation into theft of cash from the Oxfordshire Museum has been reported previously. The court ruled that the individual should pay back £16596.30 that they were found guilty of stealing, and they were given an eight month suspended sentence. We have received confirmation the full amount has been returned.
9. There are currently three other on-going investigations into potential fraud or financial irregularity that Internal Audit are leading on. One of those cases has been referred to the Police and they are now conducting the investigation. The outcomes of the investigations will be reported to the Audit Working Group once concluded.

OTHER MATTERS:

10. The annual review of the effectiveness of the system of Internal Audit will be conducted during Q4 in conjunction with the Monitoring Officer. This will include a self-assessment against the Public Sector Internal Audit Standards. The outcome will be reported back to the Committee in April 2014.

RECOMMENDATION

11. **The Committee is RECOMMENDED to note the report and approve the Q4 plan.**

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Background papers: None.

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