

ITEM 13

AUDIT COMMITTEE

24 September 2013

INTERNAL AUDIT PROGRESS UPDATE

Contact Officer:

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1. Purpose

- 1.1 To provide the Committee with an update of progress against the Annual Audit Plan 2013/14, performance and significant issues raised.

2. Recommendations

- 2.1 To note and comment on the report.

3. Issues

- 3.1 The Internal Audit Service transferred to MKSP on 1st September 2013 and is now being delivered through the Partnership. A full review of the Audit Charter, Strategy and processes will be undertaken and reported to the Audit Committee at a later date.

- 3.2 Performance – the performance measures below are those that have been agreed and are included within the Internal Audit Service Plan.

- 3.2.1 **Audit Plan Completion** – As at 31st August 2013 28 audits from the 2013/14 plan have been completed to draft or final stage (20% of the plan). An additional 20 carried forward audits and 1 piece of unplanned work have also been completed (totalling 49 audits completed since 1st April). 21 audits are currently in progress leaving 95 audits (66% of plan) yet to be started. See Annexes A and B.

In addition 11 investigations have been undertaken or are currently in progress. Details of these will be reported in the next progress report.

Due to resource constraints it is unlikely that it will be possible to complete the original plan this year, therefore consideration will be given to revising the Plan in line with changes in service areas, risk profiles and available resources. Proposed revisions to the Plan will be brought to Audit Committee for approval in November.

- 3.2.2 **Agreed Actions implemented** – Overall 84% of agreed actions have been implemented (87% were implemented for general audits and 78% for schools). Rather unusually the schools implementation is bringing down the average. This is entirely down to 2 secondary schools, Stantonbury Campus & Lord Grey, which both received 'Limited' opinions at final and at the time of follow up both still had a good

number of actions to fully implement despite passing the agreed action target dates. Both schools are progressing their outstanding actions and a further follow up review will be undertaken shortly. See Annex C

3.2.3 **Weak /limited audit opinions** – 5 audits with a weak or limited audit opinion have been followed up during this year, 4 of which have now received satisfactory opinions. The one that had not improved was Stantonbury Campus School, and a robust letter was sent to the school highlighting the risks the school was exposing itself to. As a result the Head Teacher has now responded indicating that they have either implemented or will shortly be implementing the outstanding actions. A further follow up is planned for November.

3.2.4 **Resource analysis** – 77.2% of audit time has been spent on chargeable work against a target of 76%. Of the 23% unchargeable time 9% (78 days) related to sickness. 71.5 of these days were taken by 2 members of staff who had surgery.

3.3 Significant Issues (including weak and limited reports)

3.3.1 **Troubled Families Grant** – It was not possible to certify the grant claim due to a lack of supporting data and clarity of criteria to identify 'Troubled Families'. There is another opportunity to verify the claim in October and work is ongoing to improve the processes to enable the claim to be verified.

3.3.2 **Car Parks (Pay & Display)** - Over £7m income is received though Pay and Display charges. Currently there is no independent verification of Contractor data to confirm that all the income due to the Council is paid over by the contractor.

3.3.3 **Emberton Park** - There is minimal control over income, much of which is cash, leaving the service exposed to the risk of fraud and theft. Debts relating to static caravans are not robustly pursued.

3.3.4 **Chestnuts Primary School** – There were significant weaknesses in every aspect of financial control. There was a lack of basic controls for recording income and expenditure, no segregation on the finance system (FMS) with the bursar carrying out all input and authorisation. The Head of Internal Audit and the Schools Improvement Advisor met with the Head, Chair of Governors and Chair of Finance Committee to discuss the weaknesses identified and the resultant risk exposure to the school.

3.3.5 **The Willows School and Early Years Centre** – There were several areas of weakness the most significant being that there was no segregation in the procurement or income systems. This had also been highlighted in the 2010 audit. Segregation in the procurement cycle was implemented during the current audit.

3.3.6 **Falconhurst School** – The School’s Financial System Manager was not independent of the day to day financial operations. Key controls over income & procurement were weak.

Staffing

3.3.7 There are currently 3 vacant posts within the service and despite 2 attempts to recruit an Auditor there were no suitable applicants. There were no applicants at all to the most recent recruitment exercise. Savings from the vacant posts will be used to backfill by procuring external resource to undertake some audits particularly IT audits. The actions highlighted above should assist with delivery of the Plan. A restructure to help overcome recruitment problems is under consideration.

4 Implications

4.1 Policy

The Audit Plan is aligned to the Internal Audit Strategy and individual audits provide assurance of compliance with a wide range of Council policies.

4.2 Resources and Risk

There are no direct resource implications.
The LIKELIHOOD of the Plan not being completed to an extent that would impinge on the Annual Audit Opinion is currently MEDIUM with a MEDIUM impact.

x	Capital	x	Revenue	x	Accommodation
x	IT	x	Medium Term Plan	x	Asset Management

4.3 Legal

This report provides one of the sources for the Council’s Annual Governance Statement in order to meet the Council’s responsibilities under the Accounts and Audit Regulations. The Accounts and Audit Regulations require every local authority to maintain an adequate and effective audit service.

4.4 Other Implications

x	Equalities Diversity	/	x	Sustainability	x	Human Rights
x	E-Government		x	Stakeholders	x	Crime and Disorder

Background Papers: Annex A - completed Audits
 Annex B - audits in progress, not started
 Annex C - follow ups completed
 Annex D – Plan Amendments