
Report to: Audit & Governance Committee **Date of Meeting:** 28 September 2011

Subject: Internal Audit Plan 2011/12 – Performance Report: April to July 2011

Report of: Head of Corporate Finance & ICT **Wards Affected:** All

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential

No

Purpose/Summary

To provide Audit and Governance Committee with a summary of Internal Audit work undertaken during the period April to July 2011.

Recommendation(s)

Members are requested to consider and note the report.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

Audit and Governance Committee require to be informed of and review Internal Audit work as part of their review of the internal control environment and overall Governance arrangements.

What will it cost and how will it be financed?

There are no financial costs associated with the proposals in this report

(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	
There are no legal implications arising from the contents of this report. LD365/11	
Human Resources	
None	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

FD 1008

All departments / establishments receive Audit Reports as necessary throughout the year.

Audit & Governance Committee receive quarterly Internal Audit Performance Reports.

Are there any other options available for consideration?

No

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

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Background Papers:

The following papers are available for inspection by contacting the above officer(s).

Audit Plan
Audit Reports & Correspondence
CIPFA Code of Practice for Internal Audit 2006
Accounts & Audit (Amendment) (England) Regulations 2006

1. Introduction/Background

- 1.1. The Chief Internal Auditor under the CIPFA Code of Practice for Internal Audit is required to provide periodic reports on the performance of Internal Audit to Audit and Governance. These progress reports support the Chief Internal Auditor's Annual Report and opinion and allow the Committee to assess the level of assurance it can gain over the Council's governance and control arrangements. The work of the Internal Audit Section, which is drawn from the Annual Audit Plan, is fundamental in enabling this opinion to be formed. This opinion also contributes to the review of internal control and the Annual Governance Statement (AGS).

2. Report April to July 2011

- 2.1. This is the first progress report of 2011/12 on the work of the Internal Audit Section. It provides Members with a summary of Internal Audit work both completed and at various stages of progress (i.e. draft report, final report, in progress) for the above mentioned period. As part of the Internal Audit Code of Practice 2006 the Chief Internal Auditor is required to provide a written report to those charged with governance, i.e., this Committee, which compares the work actually undertaken with that which was agreed as planned work in the Audit Plan. The summary has been compiled taking into account this requirement and identifies the status of each audit (as outlined above) against the plan.
- 2.2. For each relevant Audit Area the numbers of Proposed / Agreed Recommendations are shown together with a summary of any supplementary information under 'Comment'. For each area reviewed an opinion has been given on the overall control environment pertaining at the time of the review and based on the Auditors assessment on the extent to which the system control objectives identified for the specific audit review have been met and the risks mitigated. Opinion classifications given are: 'Very Good', 'Good', 'Fair', 'Weak' or 'Poor'. Where audit reviews are 'In Progress' or 'Pre Draft Report' the outcome of these will be reported on in the next quarterly report. The summary is attached at Annex A.
- 2.3. The performance report for the Benefit Fraud Investigation Team (BFIT) provided by arvato Government Services is attached at Annex B.

3. Matters Arising

- 3.1 As part of the audit plan for 2010/11, a follow-up audit was undertaken of the Sefton Security Service (original audit undertaken 2008/09) due to the number and significance of recommendations. The follow-up audit identified instances where action had not been undertaken to implement recommendations. This included a significant matter in relation to the service's trading activities. As the operation was providing services to third parties, it was deemed that it may not be operating in accordance with the Local Government Act. As a result of a recent meeting with Internal Audit and Corporate Legal Services, management are now taking appropriate action.

- 3.2 As part of the audit plan for 2010/11, a follow-up audit was undertaken of the Community Equipment Service (original audit undertaken 2009/10) due to the opinion the control environment within the service was weak. The follow-up audit identified instances where action had not been undertaken to implement recommendations including two significant matters. A Section 75 agreement had not been put in place with the Authority's current partners Liverpool Community Health Foundation Trust (LCHFT) and there were various issues regarding the governance arrangements of the Sefton Community Equipment Service Joint Management Board which were had not been addressed. Management are taking action on these issues with the LCHFT.
- 3.3. The three month audit plan covering April to June 2011 included seven school audits. In compiling the audit plan for the period July 2011 to March 2012 it was agreed by the Chief Internal Auditor and the Head of Corporate Finance and ICT to focus Internal Audit's work, in regard to schools, on significant high risk areas. To this end, instead of undertaking routine school programme audits, Internal Audit will audit specific areas, e.g. leasing across a number of schools, thus providing a wider picture. Any findings and relevant recommendations will be notified to all schools to improve controls and best practice. As a result, the remaining four school audits due to be completed have been cancelled. This approach ensures that audit resources are targeted more effectively at areas of highest risk. Where requested or following any major changes in management/finance staff, audits of individual schools will be undertaken.
- 3.4. As part of the planning process every effort has been made to ensure that there has been a reasonable spread of audit work across Departments. As the table below shows, with regard to completed audits, recommendations for improvement identified by Internal Audit continue to have a high level of acceptance by clients (98%). It is expected that a similar level of acceptance will apply to audits in progress.

Analysis of Audit Recommendations April to July 2011

	Proposed	Agreed	Not Agreed	Awaiting Confirmation
Audit Reviews				
– Completed Audits	115	113	2	
– In Progress/Draft etc	172			172
Total	287	113	2	172

- 3.5 Regarding the two recommendations that were not agreed in the period, one recommendation related to Trinity St Peters School who elected to maintain a one year school development plan rather than a 3 year plan as is best practice. The other recommendation that was not agreed relates to the Sefton at Work audit where it was recommended that access to the computer system (CORE) be restricted to fewer individuals. The response stated that access to the computer system needs to be maintained in order to process grant claims efficiently and that a compensating control will be put in place to ensure that the risk of claims being processed incorrectly is mitigated. The non agreement to the recommendations has not resulted in weakness of controls or left the council open to any significant risks in these areas.
- 3.6. Response to Audit Reports is generally good and there are no significant non response issues requiring referral to Members at this stage. Internal Audit continues to receive a very positive response to their Client Satisfaction Surveys with 75% considering services to be Very Good / Good.