

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

CORPORATE GOVERNANCE COMMITTEE

27 SEPTEMBER 2013

INTERNAL AUDIT PROGRESS REPORT FOR 2013 / 2014

(AS AT 31 AUGUST 2013)

RECOMMENDATION:

That Corporate Governance Committee note progress in delivery of the Internal Audit service to the Council.

PROGRESS REPORT

1. Introduction
2. Variations To Reporting Arrangements
3. Resourcing
4. Progress Against Agreed Audit Plan
5. General Audit Matters

1. **INTRODUCTION**

- 1.1 The purpose of this report is to bring the Corporate Governance Committee up to date with progress made against the delivery of the 2013 / 2014 Internal Audit Plan as at 31 August 2013. This report aims to:
 - Provide a high level of assurance, or otherwise, on internal controls operated across the Council that have been subject to audit;
 - Advise the Committee of significant issues where controls need to improve to effectively manage risks;
 - Advise of any planned changes to reviews, slippage or deletions to that originally agreed on 19 March 2013; and
 - Track progress on the delivery of agreed actions which will be reported as part of the annual reporting process.
- 1.2 The information included in this progress report will feed into, and inform our overall opinion in the Annual Head of Internal Audit Report issued at the year-end. This opinion will in turn be used to inform the Annual Governance Statement (AGS) included in the Statement of Accounts and signed by the Chief Executive and Leader of the Council.
- 1.3 The report is for the Committee to consider under its Terms of Reference:
 - To monitor the activities of the Internal Audit service provider and measure performance against the plan; and
 - To consider a quarterly report detailing audit coverage and the extent to which any major problems were highlighted.

2. VARIATIONS TO REPORTING ARRANGEMENTS

- 2.1 The original Audit Plan agreed in March 2013 was compiled by the previous service provider, RSM Tenon and they have continued with this until the cessation of their contract at 30 June 2013. For continuity purposes, it has been acknowledged that this represents an appropriate level of coverage for the Council and has been used as the basis to complete the audit work. However, there are a number of minor amendments in terms of how reports are presented / reported to officers and Members which is set out within the tables below.

AUDIT ASSURANCE		
Definitions	RSM Tenon	Shared Service
The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.	GREEN	FULL
The system is generally sound but there are some weaknesses of the design of control and / or the inconsistent application of controls. Opportunities exist to mitigate further against potential risks.	AMBER / GREEN	SIGNIFICANT
There are weaknesses in the design of controls and / or consistency of application, which can put the system objectives at risk. Therefore, there is a need to introduce additional controls and improve compliance with existing ones to reduce the risk exposure for the Authority.	AMBER	LIMITED
Controls are weak and / or there is consistent non-compliance, which can result in the failure of the system. Failure to improve controls will expose the Authority to significant risk, which could lead to major financial loss, embarrassment or failure to achieve key service objectives.	RED	NO

3. RESOURCING

- 3.1 Following a successful recruitment process in July 2013, SCDC has been able to appoint an officer to the post of Senior Auditor. The successful candidate brings knowledge and experience from working in an internal audit shared service environment within local government and will start with SCDC in October 2013.
- 3.2 For operational purposes, if the Head of Internal Audit is not on site – whether at another authority or absent for leave etc. – day to day reporting arrangements have been set up with the Councils HR Manager.

4. **PROGRESS AGAINST AGREED AUDIT PLAN**

4.1 A number of the activities set out within the agreed Audit Plan are to support the works of External Audit as part of the delivery of a managed audit. These are identified overleaf (*) and will:

- Aid joined up working;
- Avoid the risk of duplication of audit work; and
- Improve the effectiveness, efficiency and economy of both audit teams.

4.2 The scope for a number of new audit areas have been agreed with senior management and a series of audits have commenced, findings and conclusions of which will be reported at the next meeting.

ASSURANCE LEVELS / AGREED ACTIONS (CARRIED FORWARD FROM 2012 / 2013)							
ACTIVITY	JOB TYPE	REP.NO.	STATUS	ASSURANCE	ACTIONS AGREED		
					HIGH	MEDIUM	LOW
Repairs Partnership Arrangements	Follow Up	23	Final	Adequate	0	4	2
Network Security Control Framework		24	Final	Amber / Green	0	3	0
	Follow Up	25					
Performance Management		26	Final	Amber / Green	0	2	2
Top Up Testing		27					

ASSURANCE LEVELS / AGREED ACTIONS 2013 / 2014							
ACTIVITY	JOB TYPE	REP.NO.	STATUS	ASSURANCE	ACTIONS AGREED		
					HIGH	MEDIUM	LOW
Customer Services: Contact Centre	Other	1	Final	Green	0	0	2
Business Planning	Assurance work	2	Final	Amber / Green	0	3	0
Safeguarding	Other	3	Draft	Amber / Green	0	4	3
Environmental Health: Waste Review	Advisory work	4	Final	Not applicable	–	–	–
Proactive Fraud Work	Other						
ICT Review	Other	5	Draft	Amber / Green	0	2	1
Welfare Reform Project	Assurance work		Fieldwork				
Corporate Governance	Compliance		Fieldwork				
Risk Management	Compliance						
Annual Governance Statement	Compliance						
Income and Debtors *	Financial Controls						
Budgetary Control	Financial Controls						
General Ledger *	Financial Controls						
Creditors *	Financial Controls						
Cash, Bank & Treasury Management *	Financial Controls						

ASSURANCE LEVELS / AGREED ACTIONS 2013 / 2014 (continued)

ACTIVITY	JOB TYPE	REP.NO.	STATUS	ASSURANCE	ACTIONS AGREED		
					HIGH	MEDIUM	LOW
Payroll (incl. Expenses / Pensions) *	Financial Controls		Fieldwork				
Capital Expend. /Asset Management *	Financial Controls						
Procurement *	Financial Controls		Fieldwork				
NNDR *	Financial Controls						
Council Tax *	Financial Controls						
Housing Benefits *	Financial Controls						
Housing Rents *	Financial Controls		Fieldwork				
Top Up Testing *	Financial Controls						
Reconciliation Testing	Financial Controls						
Health and Safety	Other						
Performance Management	Other						
Repairs – Partnership Arrangements	Other		Fieldwork				
Housing Allocation and Voids	Other		Fieldwork				
Follow Up	Other						

5. **GENERAL AUDIT MATTERS**

5.1 **Update on CIPFA Publication on Audit Committees**

- 5.1.1 In 2005 CIPFA issued its guidance “*Audit Committees, Practical Guidance for Local Authorities*” which has been the authoritative guidance document for audit committees across the local authority sector. Since then audit committees have become more firmly established and there have been a range of changes in professional practice and legislation, including joint audit committees supporting police and crime commissioners and chief constables and the establishment of statutory audit committees in Wales.
- 5.1.2 CIPFA will be updating the publication to reflect changes and introducing additional guidance on developing areas of audit committee activity and is due for release towards the end of 2013. Once this has been released, key changes and a briefing note will be prepared for information for Committee members.

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