

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

CORPORATE GOVERNANCE COMMITTEE

28 NOVEMBER 2013

INTERNAL AUDIT PROGRESS REPORT FOR 2013 / 2014

RECOMMENDATION:

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

PROGRESS REPORT

1. Introduction
2. Progress Against Agreed Audit Plan
3. Audit Planning 2014 / 2015

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. 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. 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. **PROGRESS AGAINST AGREED AUDIT PLAN**

2.1 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.

2.2 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.

2.3 The following analysis details progress since the last report to Corporate Governance in September 2013.

2.4 Carried Forward from 2012 / 2013

ASSURANCE LEVELS / AGREED ACTIONS (CARRIED FORWARD FROM 2012 / 2013)							
Works completed by RSM Tenon but not concluded at the change of audit provider							
ACTIVITY	JOB TYPE	REP.NO.	STATUS	ASSURANCE	ACTIONS AGREED		
					HIGH	MEDIUM	LOW
Follow Up Arrangements	Follow Up	25	Final	Not applicable	1	7	3
Top Up Testing	Financial Controls	27	Final	Full	0	0	2

2.4.1 Follow up arrangements related to audit reviews undertaken in previous years and covered:

- HR – Absence Management (including Redundancies);
- Housing Maintenance: Planned and Cyclical (including Voids);
- Information Governance;
- Contract Services; and
- Environmental Health (License Fees).

2.4.2 Top up testing provides assurance that the controls in place in the Councils main systems are robust. No concerns were identified.

2.5 Audit Plan 2013 / 2014

ASSURANCE LEVELS / AGREED ACTIONS							
ACTIVITY	JOB TYPE	REP.NO.	STATUS	ASSURANCE	ACTIONS AGREED		
					HIGH	MEDIUM	LOW
Safeguarding	Other	3	Final	Significant	0	4	3
ICT Review (Change Control)	Other	5	Final	Significant	0	2	1
Proactive Fraud Work (Suppliers)	Other	6	Final	Not applicable	0	3	0

2.5.1 The following audits are currently in progress:

- Welfare Reform Project;
- Corporate Governance: focus on complaints process;
- Payroll (including expenses);
- Procurement.
- Housing rents;
- Repairs;
- Housing allocations and voids

2.5.2 In reviewing the annual plan, going forward, there is merit in a number of the audits being combined to reduce the call upon officer / manager time. For example, the reconciliations audit crosses over a variety of audit areas and these will be picked up as part of those audits e.g. payroll.

2.5.3 The audits to be completed during the remainder of the year are:

Compliance Work

- Risk Management

Financial Controls (*)

- Income and Debtors;
- General Ledger;
- Cash, Bank and Treasury Management;
- Council Tax
- Top-Up Testing;

Other Areas

- Health and Safety;
- Follow Up Arrangements.

- Annual Governance Statement

- Budgetary Control;
- Creditors;
- National Non-Domestic Rates;
- Housing Benefits;
- Reconciliation Testing (see comments in 2.5.2)

- Performance Management;

3. AUDIT PLANNING 2014 / 2015

- 3.1 The current audit plan is based on analysis undertaken by the previous audit provider, RSM Tenon. In order to take forward the new arrangements, the following proposals will be followed:
- Preparation of an audit universe;
 - Undertake an assurance mapping exercise to identify the other sources of assurance that Corporate Governance Committee are able to place reliance on in order to avoid duplication;
 - Consultation with senior management on their priorities for Internal Audit review;
 - Review of corporate and directorate risk registers to ascertain the organisation's view on its key risks;
 - Review of the previous year's Annual Governance Statement to identify any known significant governance issues;
 - Consultation with external audit and other external assurance providers to avoid duplication and ensure maximum coverage; and
 - Identification of areas identified by the audit team through previous internal audit work.
- 3.2 Once the head of internal audit has carried out the planning process and undertaken a risk assessment, a draft plan will be prepared for discussion (Executive Management Meeting 26 February 2014). These discussions will focus on ensuring that the plan of work covers the key risks to the organisation as well as an assessment of whether the agreed level of audit resource is adequate to provide the annual opinion. This will include sharing with management any areas that have been assessed as high risk but do not feature in the audit plan due to resource limitations.
- 3.3 Draft audit plans will then be presented to Corporate Governance Committee prior to the start of the new financial year for review and approval.

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