

**SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL
CORPORATE GOVERNANCE COMMITTEE
26 SEPTEMBER 2014**

INTERNAL AUDIT PLAN 2014 / 2015: PROGRESS REPORT

RECOMMENDATIONS:

That Corporate Governance Committee notes:

- **Progress against the delivery of the 2014 / 2015 Audit Plan**

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DELIVERY OF THE INTERNAL AUDIT PLAN

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 2014 / 2015 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 21 March 2014; 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.
- 1.3 A number of the activities set out within the agreed Audit Plan are to support the works of External Audit to avoid the risk of duplication of audit work; and improve the effectiveness, efficiency and economy of both audit teams. 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. The following analysis details progress up to, and including 31 August 2014.
- 1.4 In addition to providing assurance on the current controls, while we have been able to confirm that the majority of systems comply with expected controls, we have also identified a number of areas where efficiencies could be made to the system. We have incorporated these into our reports for management consideration.

2. CARRIED FORWARD AUDITS

2.1 The Annual Head of Audit Opinion reported to this Committee in June 2014 that there were a couple of audits which were at various stages of completion at the end of the year. The latest update for these is as follows:

AUDIT ACTIVITY	COMMENTARY					
General Ledger	Awaiting agreement.					
Budgetary Control	Assurance: Significant	Critical: 0	High: 0	Medium: 1	Low: 0	Good levels of control exist for the monitoring of expenditure. Finance will continue to work with all Line Managers to ensure that budget forecasts are accurate and produced timely.

(NB: For definitions for the assurance and recommendations ratings, refer to Appendix A)

3. AUDIT ACTIVITIES 2014 / 2015

3.1 The status for audit work undertaken against the current plan is as follows:

CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY
Housing Benefits	Planned for quarter 4
Council Tax	Planned for quarter 4
NNDR	Planned for quarter 4
Main Accounting	Planned for quarter 3
Cash, Bank and Treasury Management	Planned for quarter 3
Accounts Payable	Planned for quarter 3
Payroll	Assurance will be provided by Cambridge City Council as part of their review of the shared service
Accounts Receivable	Planned for quarter 3
Capital Accounting	Planned for quarter 4
Housing Rents	Planned for quarter 3
BACS Payments	Planned for quarter 3
VAT	Planned for quarter 2

GOVERNANCE AND ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY
Annual Governance Statement	Planned for quarter 2
Annual Audit Opinion	<p>Completed.</p> <p>The Annual Audit Opinion was submitted to Corporate Governance Committee in June 2014</p>
Internal Audit Effectiveness	<p>Completed.</p> <p>The report in to the effectiveness of Internal Audit was submitted to Corporate Governance Committee in June 2014</p>
Corporate Governance Committee Effectiveness	<p>An annual assessment of how a Councils "Audit Committee" operates against best practice.</p> <p>Planned for quarter 4.</p>
National Fraud Initiative	<p>Brought forward from quarter 3.</p> <p>Work to date has focussed on the various datasets which will be submitted as part of the National Fraud Initiative in October 2014. Steps have been taken to ensure that appropriate fair processing notices have been issued to all parties e.g. stakeholders, employees etc.</p> <p>Downloads will be submitted through the secure website and initial matches received in February 2015. The majority of matches have traditionally been around benefits claims and these have been reviewed / investigated within the benefits service. With the creation of the Single Fraud Investigation Service (taking on the responsibility for investigations above a certain value, as well as the investigators from each Council), new arrangements will be required.</p>
Partnership Governance	Planned for quarter 3
Performance Management	<p>Undertaken in Quarter 2 as planned. Draft report written.</p> <p>Awaiting responses / agreement to actions proposed with individual departments.</p>

CORPORATE CROSS CUTTING AUDITS

AUDIT ACTIVITY	COMMENTARY					
Human Resources / Staffing	<p>Undertaken in Quarter 2 as planned. Fieldwork in progress.</p> <p>Onus of work has been to look at how the organisation complies with HR policies e.g. sickness absence.</p>					
s.106 Contributions / CIL	<p>Undertaken in Quarter 2 as planned. Draft report written.</p> <p>Awaiting responses / agreement to actions proposed.</p>					
Community Chest Grants	Assurance: Limited	Critical: 0	High: 2	Medium: 1	Low: 0	No formal documentation to assist in the decision making process
Business Efficiency Agenda	Assurance: Significant	Critical: 0	High: 0	Medium: 2	Low: 0	<p>Initial evaluation of the processes in place for project management. Lack of business cases for the first tranche of projects undertaken.</p> <p>An additional review will be undertaken in Quarter 4 to analyse new schemes.</p>

DEPARTMENTAL SPECIFIC

AUDIT ACTIVITY	COMMENTARY
Responsive Repairs	Planned for quarter 4
New Build Strategy	Planned for quarter 3
Housing Company	Brought forward from Quarter 4 following the request of the Executive Director Fieldwork in progress.
ICT Governance	Planned for quarter 3. A detailed 3 year IT Audit plan has now been established and is out for discussion with the Head of Service.
Depot	Originally planned for Quarter 2 but deferred to Quarter 4 in light of request above.
Development Control	Fieldwork in progress.

4. DEVELOPMENT OF THE SERVICE

4.1 As part of the development of the shared service, the following initiatives have been commissioned during the first few months:

- Purchase of IDEA software. This powerful / versatile data analysis tool will allow Internal Audit to import data from a wide range of file types which can then be used to compare with other sources for missing items, duplicate items etc. The Internal Auditor has recently received training on its use.
- Use of VISION audit software. Peterborough has been utilising an audit software package which enables all audits to be completed online; from design of the original brief, testing schedules to producing the audit report. All data is held in a central database to allow access by others. The software has now been web access enabled, allowing South Cambridgeshire to also make use of it. The benefits include the potential reduction in storage and duplication of effort, sharing of knowledge and increase the ability to work offsite. Current data is being populated within the software and it is envisaged to go live in April 2015.

ARRIVING AT AN OPINION

Where appropriate, each report we issue during the year is given an overall opinion based on the criteria below. Certain pieces of work do not result in an audit report with an opinion – such as consultancy work, involvement in working groups, review of National Fraud Initiative (NFI) reports and follow-ups. The assessment from each report, along with our consideration of other audit work, is used to formulate the overall Opinion.

AUDIT ASSURANCE	
Assurance	Definitions
Full	The system is designed to meet objectives / controls are consistently applied that protect the Authority from foreseeable risks.
Significant	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.
Limited	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.
No	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 / failure to achieve key objectives.

This is based upon the number and type of recommendations we make in each report and is for any control weaknesses that jeopardises the complete operation of the service. The prioritisation is established as follows:

RECOMMENDATIONS MADE TO IMPROVE ASSURANCE LEVELS		
Status	Definitions	Implementation
Critical	Extreme control weakness that jeopardises the complete operation of the service.	Immediately
High	Fundamental control weakness which significantly increases the risk / scope for error, fraud, or loss of efficiency.	As a matter of priority
Medium	Significant control weakness which reduces the effectiveness of procedures designed to protect assets and revenue of the Authority.	At the first opportunity
Low	Control weakness, which, if corrected, will enhance control procedures that are already relatively robust.	As soon as reasonably practical