

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

CORPORATE GOVERNANCE COMMITTEE

27 MARCH 2015

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 28 February 2015.
- 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. AUDIT ACTIVITIES 2014 / 2015

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

CORE SYSTEMS ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY					
Payroll	Service is provided by Cambridge City Council. Ensure will be provided on an annual basis.					
BACS Payments	Assurance: Significant	Critical: 0	High: 1	Medium: 2	Low: 4	Improvements are required around the administration of the system to ensure there are appropriate checks in place with data held securely.
Housing Rents	Assurance: Significant	Critical: 0	High: 1	Medium: 4	Low: 0	Well maintained system which requires a check to prime documents.
VAT	Assurance: Full	Critical: 0	High: 0	Medium: 0	Low: 0	
Housing Benefits Council Tax and NNDR Main Accounting System Capital Accounting Treasury Management Accounts Payable (Creditors) Accounts Receivable (Sundry Debtors)	Works in progress					

NB: Full system reviews were undertaken last year to document each activity as no audit files were available. Audit were able to place significant reliance on the majority of these. Our audit works will focus on any key changes within each area, and various substantive testing.

GOVERNANCE AND ASSURANCE WORK

AUDIT ACTIVITY	COMMENTARY					
Annual Governance Statement	<p>COMPLETED</p> <p>The Annual Governance Statement was approved at Corporate Governance Committee in September 2014. No material issues were identified for attention of management / members within the Statement. Internal Audit has reviewed the methodology used to collect, collate and interpret the information and have identified no gaps.</p>					
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>					
National Fraud Initiative	<p>Data downloads were submitted to timescale to the Audit Commission for data matching purposes. Appropriate fair processing notices were used on all datasets. Where anomalies have been identified in the data, these have been referred to management.</p> <p>With the creation of the Single Fraud Investigation Service (Department for Works and Pensions), the fraud unit has transferred across at the end of February 2015. Internal Audit have produced a draft strategy to look to take forward the NFI within SCDC.</p> <p>Data matches have been returned via the secure website. Internal Audit is in the process of sifting through the data for appropriate investigations. This will be reported to Executive Management Team and Corporate Governance Committee on a periodic basis.</p>					
Partnership Governance	In progress					
Performance Management	Assurance: Limited	Critical: 0	High: 0	Medium: 4	Low: 0	While there are steps in place to review performance across the organisation, there is not always a separate check on the data provided for accuracy, particularly from third parties.

CORPORATE CROSS CUTTING AUDITS

AUDIT ACTIVITY	COMMENTARY					
Human Resources / Staffing	Assurance: Limited	Critical: 0	High: 2	Medium: 1	Low: 3	The Council has sound policies in place for sickness absence and flexible working. These are not always consistently applied by departments.
s.106 Contributions / CIL	Assurance: Significant	Critical: 0	High: 2	Medium: 2	Low: 0	The Council has identified the need for suitable project planning to implement CIL and is looking to put this in place in order to meet its desired implementation of 2015.
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	Initial evaluation of the processes in place for project management. Lack of business cases for the first tranche of projects undertaken.

DEPARTMENTAL SPECIFIC

AUDIT ACTIVITY	COMMENTARY					
Housing Company	Assurance: Limited	Critical: 0	High: 4	Medium: 3	Low: 1	There is a requirement for service level agreements to be established together with appropriate processes and procedures to back these up.
Responsive Repairs	Work in progress					
New Build Strategy	Verification of investment portfolio has been incorporated into the review of the HRA Business model.					
ICT Governance	A detailed 3 year IT Audit plan has now been established and is out for discussion with the Head of Service.					
Depot	Deferred					
Development Control	Fieldwork in progress					

Separate advice has been provided to the Council in relation to:

- National Fraud Initiative: Data Issues;
- National Fraud Initiative: Strategy to Investigate;
- Corporate Contracts: Monitoring of spending; and
- Provision of examples of internal controls which Finance can use as part of ongoing training to all managers.

3. DEVELOPMENT OF THE SERVICE

3.1 As part of the development of the shared arrangements, the following initiatives have been commissioned:

- Senior Auditor at SCDC has commenced professional training from December 2014. This is in relation to the Institute of Internal Auditors. Mentoring during this will be provided by the Head of Internal Audit; and
- Fortnightly site meetings have been held at Cambridge to develop team working; and monthly at Peterborough to develop the Audit automated package (VISION). This will continue in to 2015 / 2016.

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