

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT COMMITTEE
DATE:	23 JULY 2013
TITLE OF REPORT:	PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL 2013 – 30 JUNE 2013
PURPOSE OF REPORT:	FOR INFORMATION
REPORT BY:	AUDIT MANAGER
ACTION:	Decisions / approval as detailed in report

1. INTRODUCTION

- 1.1** The Operational Plan for 2013-14 is to be presented to the Audit Committee at its meeting to be held on 23 July 2013. The Plan was produced in consultation with the External Auditor, the Section 151 Officer and various meetings and communications with Heads of Service.
- 1.2** The following report summarises the work of the Internal Audit Section up to the 30 June 2013 and gives a summary for each of the final reports issued.
- 1.3** Final reports which result in a 'Red Assurance' opinion will be subject to a Follow Up review which will include an audit opinion on the progress of management in implementing the recommendations categorised as High and Medium within the original final report. The results of the Follow Up review will be presented to the next Audit Committee.
- 1.4** There were no reviews in the period which resulted in a 'Red Assurance' opinion. Executive Summaries for 'Red Assurance' reports are provided as Appendices where applicable.
- 1.5** The Internal Audit Service uses a Risk Based approach wherever possible but may use System Based, Key Controls, Establishment or Advisory reviews if these approaches are more appropriate.
- 1.6** The individual final reports are available to members of this Committee, in confidence, on request to the Head of Service – Audit.

2. REPORTS ISSUED TO DATE AND WORK IN PROGRESS (WIP)

- 2.1** Table 1 below shows the status of the reviews currently in progress and / or having been completed to final report in this period along with the overall audit opinion.

Table 1

				2012/13
Members' Allowances – Follow Up	2012/13	FINAL	'Good Progress'	
Main Accounting System	2012/13	FINAL	GREEN	
Cash Receipting	2012/13	FINAL	GREEN	
Payroll	2012/13	FINAL	GREEN/AMBER	
Housing Rents	2012/13	FINAL	RED/AMBER	
CIVICA Implementation	2012/13	FINAL	ADVISORY	
Maritime Income	2012/13	WIP		
				2013/14
HR Procurement	2013/14	FINAL	ADVISORY	
Appointees and Deputies	2013/14	FINAL	ADVISORY	
Partnership Framework	2013/14	FINAL	ADVISORY	
HR MyView	2013/14	DRAFT		
WAG Free Breakfasts	2013/14	DRAFT		
Grants - Compliance	2013/14	WIP		
Homelessness	2013/14	WIP		
Blue Badges	2013/14	WIP		
Direct Payments – Follow Up	2013/14	WIP		
David Hughes Leisure Centre	2013/14	WIP		
<i>Schools</i>				
				2012/13
Ysgol David Hughes	2012/13	FINAL	GREEN	
Ysgol Beaumaris	2012/13	FINAL	GREEN/AMBER	
Ysgol Llanfachraeth	2012/13	DRAFT		
				2013/14
Ysgol Kingsland	2013/14	FINAL	GREEN	
Ysgol Llangefni	2013/14	DRAFT		
<i>Referrals</i>				

Report 1	2013/14	N/A
Report 2	2013/14	N/A
Report 3	2013/14	N/A

2.2 Key Findings from Reports Issued

2.2.1 Members' Allowances -

As part of the approved internal audit periodic plan for 2012/13 we have undertaken a review to follow up progress made by management in implementing internal audit recommendations made in the Members' Allowances Report 1554.10/11 issued in May 2011.

The Members' Allowances Report 1554.10/11 included **15 recommendations** of which nine were categorised as Medium and six as Low category recommendations. All the recommendations made had implementation dates prior to the date of the field work for this follow up report.

Opinion: Managers have demonstrated good progress in implementing actions agreed to address Medium and Low category internal audit recommendations.

2.2.2 Main Accounting System -

The review had been included in the annual audit plan for the purpose of internal and external audit reliance and that of senior management within Finance. The review is undertaken on an annual basis, and the previous review during 2011/12 resulted in (Green) assurance.

The FinanceLink system was replaced with a Civica ledger system in April 2013 and therefore this is the last review of the FinanceLink application. A separate report of the implementation of the Civica system was issued during April 2013.

Opinion: An overall Green audit opinion resulted from the review with three Medium and one Low category recommendation being made.

2.2.3 Cash Receipting -

The Council's cash offices were closed to the public in this year with residual income collected directly by services and income received by post continuing to be processed by the Cashiers.

The implementation of the new financial ledger and changes in the system including electronic data matching of income received / receipt of electronic bank statements will result in further changes to the work of Cashiers in the next financial year.

Opinion: An overall Green audit opinion resulted from the review with two Medium and three Low category recommendations being made.

2.2.4 Payroll

The Payroll system currently in use is 'Resourcelink' provided by Northgate and is an integrated Human Resources and Payroll system. The Council has an internal

Team of six staff involved with Payroll functions. Staff within Human Resources are also involved with the initial set up of new starters on the integrated system.

Opinion: An overall Green/Amber audit opinion resulted from the review with four Medium and ten Low category recommendations being made.

2.2.5 Housing Rents –

An audit of Housing Rents - First Review of Orchard System was undertaken as part of the approved internal audit periodic plan for 2012/13. The Council's Housing Services manages 3810 dwellings, 766 garages and 93 leased properties across the County.

The estimated rental income for 2012/13 was reported to be £12.5M (excluding estimate voids and future right to buys) in the Board of Commissioners meeting in February 2012.

Opinion: An overall Red/Amber audit opinion resulted from the review with one High; six Medium and four Low category recommendations being made.

The Red/Amber opinion reflects the control weaknesses identified around logical access controls to the Orchard system and the current segregation of roles set up within the system.

2.2.6 CIVICA Implementation –

The Council's previous FinanceLink ledger system was in use until the end of March 2013 along with an in house debtors system. A project was implemented to replace this system with a CIVICA system. This review was undertaken to provide assurance over the implementation project and the migration of data from the previous to the new system.

Opinion: This was an advisory review and no overall opinion was provided. Fourteen recommendations and seven learnt lessons from implementation were reported to management.

2.2.7 HR Procurement –

Internal Audit was requested by the Section 151 Officer to carry out a review of the contractual and support arrangements for the Northgate HR Module. The review concentrated on ascertaining and recording the contractual and support arrangements in place for the Northgate Human Resources system including MyView.

Opinion: This was an advisory review and no overall opinion was provided. Seven recommendations were agreed with management.

2.2.8 Appointees and Deputies –

The review concentrated on the evaluation of the adequacy of risk management and controls within the current and proposed banking arrangements of Appointee cases and Deputy Bank accounts of the Community Department.

Opinion: This was an advisory review and no overall opinion was provided. Seven recommendations were agreed with management.

2.2.9 – Partnership Framework -

The Council works in partnership with a number of partner organisations to deliver its strategic and local objectives. Such partnership arrangements give rise to potential financial, governance and performance related risks. Our review aimed to ascertain record and evaluate the Council's arrangements in place to manage, mitigate, monitor and report on these risks.

Our review found an absence of a formal Partnership Governance Framework to address partnership governance, management and performance related risks.

Opinion: This was an advisory review and no overall opinion was provided; however the lack of a formal partnership framework is considered a significant risk and the report's three key recommendations for improvement have been accepted by senior management.

2.2.10 Schools Key Controls Audit - Finance and Governance

Final reports from audit work at three schools were completed in the period. The reviews resulted in two Green audit opinions and a Green/Amber opinion. Recommendations to strengthen internal control weaknesses identified have been made with the relevant Headteachers concerned.

2.3 Summary of Outcomes of Reports Issued to Date – since the 01 April 2013 we have issued eight final reports from the Internal Audit Operational Plan 2012-13; four from the 2013-14 plan and three referral reports. To date a total of twelve final reports has been issued in 2013/14.

A summary of the grades given for the final reports issued is shown in the table below. The summary of grades issued is as follows:

RAG Opinion / Grade	What is meant by the RAG Opinion / Grade	Since Last Audit Committee In Period	April to June 2013
Green (A&B Grade)	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.	5	5
Green Amber (C Grade)	Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However we have identified issues that, if not addressed, increase the likelihood of the risk materialising.	2	2
Red Amber (D Grade) Inc Little Progress	Taking account of the issues identified, whilst the Authority can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed.	1	1
Red (E Grade)	Taking account of the issues identified, the Authority cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective. Action needs to be taken to ensure this risk is managed.	0	0
Advisory / Investigation	Advisory review designed to provide best practice advice – No formal opinion.	4	4

3 PERFORMANCE AGAINST TARGETS FOR PERIOD 01/04/13 – 30/06/13

3.1 The table below shows the Internal Audit Service’s performance against agreed targets set out in the Service’s Delivery Plan for 2013/14. Reporting progress against these targets is also made to the corporate Performance Unit.

Performance Measure	Target 2012/13	Actual Adjusted for Period*	Target Status	Direction of Travel since previous period
% of audit reviews completed to draft in year (56 reviews in plan – 3 to Draft in period & 4 Finals– excluding referrals)	90%	50%	☹	↔
Overall customer satisfaction levels from questionnaires	90%	100%	☺	↔
% of High & Medium IA recommendations implemented – from 01-04-11	80%	51%	☹	↔
Review the Council’s Risk Management framework and evaluation of the effectiveness of mitigating actions on reducing the top five risks on the Corporate Risk Register.	1	0	☹	↔
Audit Committee Training Sessions in period	2	0	☹	↔

3.2 The percentage of the Audit Plan completed figure is 50% for quarter 1 2013-14. This is expected due to this quarter starting with the completion and issuing of eight Final reports relating to the previous financial year and not included in this percentage target figure here.

The reported progress against plan also reflects the amount of referral work taking place in quarter 1.

3.3 The percentage of High and Medium categorised recommendations implemented is below target at 51% which compares with the 68% reported to the last Committee.

3.4 Internal Audit has reviewed the reporting lines for implementation of recommendations and will be reporting back to the next Audit Committee on the results of this work. The intention is to raise the profile of recommendation implementation amongst senior managers and thus to improve implementation rates.

4. REFERRALS

4.1 During the course of the year the Internal Audit Section is required to carry out work on matters which come to light during the programmed audit work, or matters which are brought to its attention by other Departments, or work which other Departments request the Internal Audit Section to carry out. Work may also be requested by the External Auditor to provide information or to assist in the provision of information. Some of these referrals result in the issue of formal audit reports whilst others may not (e.g. the allegation / information is found to be incorrect and therefore there is nothing to report, or the amount of work is not

sufficient to warrant a full audit report or the matter is covered by an External Auditor's report).

- 4.2 Three reports relating to referrals have been issued in the period to date in 2013/14. None of the work on these referrals has identified any evidence of fraud or irregularity.
- 4.3 One referral from 2012/13 has been referred to the Police and the Committee will be informed of the outcome of this case in due course.

5. RECOMMENDATION TRACKING

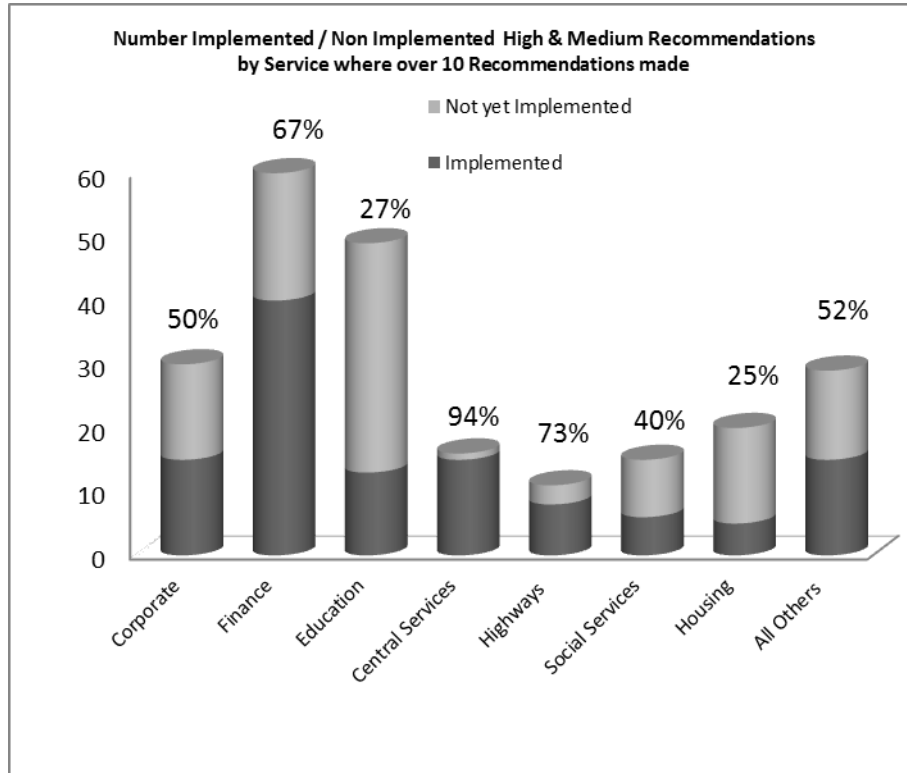
- 5.1 For reporting to this Committee only recommendations made since 01-04-2011 have been included in the recommendation tracking analysis.
- 5.3 The performance in implementing recommendations in the period is below target with 51% of High and Medium recommendations having been recorded as implemented. Reference to a review of the processes involved for recommendation tracking has been made in paragraph 3.4 of this report.
- 5.4 A graph showing the breakdown of recommendation implementation by Service is provided at Appendix A.

AUDIT MANAGER
12 July 2013

APPENDIX A

Recommendation Tracking Table – All Recommendations Created Since 01-04-2011

Progress Table: % implemented / non implemented of high and medium category recommendations by service where over 10 recommendations made.



In our opinion therefore based on the self assessed data in the Progress Table above the Council has made **‘adequate progress’** in the period in implementing High and Medium categorised Internal Audit recommendations. This is based on the percentage of recommendations (excluding those that have not yet reached their agreed implementation date) for which the self-assessed status is either, implemented or superseded, which total at the end of the period was **51%** of all such recommendations.