

ISLE OF ANGLESEY COUNTY COUNCIL

COMMITTEE:	AUDIT COMMITTEE
DATE:	24 SEPTEMBER 2013
TITLE OF REPORT:	PROGRESS REPORT ON INTERNAL AUDIT 01 APRIL 2013 – 30 AUGUST 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 was presented to and accepted by the Audit Committee at its meeting 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 August 2013 and gives a summary for each of the final reports issued since the last Audit Committee.
- 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

Review Title	Service Area	IA Plan Year	Status	RAG Opinion
<i>Risk Based / System Reviews</i>				
2012/13 IA Plan				
Maritime Income		2012/13	FINAL	GREEN
2013/14 IA Plan				
HR MyView		2013/14	FINAL	GREEN/AMBER
WG Free Breakfasts		2013/14	FINAL	GREEN
Direct Payments – Follow Up		2013/14	FINAL	GOOD PROGRESS
Penalty Charge Notices		2013/14	FINAL	ADVISORY
Orchard – Logical Access Controls		2013/14	FINAL	ADVISORY
Treatment of Creditors and Debtors		2013/14	FINAL	ADVISORY
Annual Stock Check – BMU		2013/14	FINAL	GREEN
David Hughes Leisure Centre (issued 05-09-13)		2013/14	DRAFT	
Blue Badges		2013/14	DRAFT	
Waste Management		2013/14	WIP	
Grants - Compliance		2013/14	WIP	
Homelessness		2013/14	WIP	
VAT – Management and Control		2013/14	WIP	
Housing Grants		2013/14	WIP	
Overtime & Flexi Time Arrangements		2013/14	WIP	
Main Accounting System - CIVICA		2013/14	WIP	
Creditors - CIVICA		2013/14	WIP	
Effeciency Savings		2013/14	WIP	
Schools Follow Up Review		2013/14	WIP	
Counter Fraud Arrangements		2013/14	WIP	
Bribery Act 2010 – IOACC Response		2013/14	WIP	
<i>Schools</i>				
2012/13 – IA Plan				
Ysgol Llanfachraeth		2012/13	DRAFT	

2013/14 – IA Plan

Ysgol Llangefni	2013/14	FINAL	GREEN/AMBER
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Referrals

File Notes – 1 to 6	2013/14		N/A
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2.2 Key Findings from Reports Issued

2.2.1 Maritime

An audit of Maritime Systems - Records and Income was undertaken as part of the approved internal audit periodic plan for 2012/13. The Authority has approximately 450 mooring spaces between Menai Bridge, Beaumaris, Red Wharf Bay, Glyn Garth and Fryers Bay. Temporary overnight berthing is also available at Menai Bridge and Beaumaris Pier. During the period covered by this audit Beaumaris Pier was closed to enable the Coastal Environment programme improvement works to be completed.

The income generated in relation to all moorings during the 2012/13 financial year was £94,602.46.

Opinion: An overall Green audit opinion resulted from the review with five Low category recommendations being made.

2.2.2 HR MYView

An audit of HR System - MyView Security and Reporting was undertaken as part of the approved internal audit periodic plan for 2013/14. MyView is a function of the project to provide an integrated Payroll and Human Resources system based on the Northgate system. The Human Resources element of the project is being implemented in three phases for the purpose of supporting HR operations and payroll.

The main finding of the review related to a lack of segregation of duties and responsibilities between Payroll and Human Resources which presents an inherent risk in a joint system.

Opinion: An overall Green/Amber audit opinion resulted from the review with one High and two Low category recommendations being made.

2.2.3 WG Free Breakfasts

An audit of the WG - Free Breakfast Scheme was undertaken as part of the approved internal audit periodic plan for 2013/14.

The Welsh Government introduced the 'Primary School Free Breakfast Initiative (PSFBI)' Grant Scheme to provide all children of primary school age with the opportunity of receiving a free healthy breakfast. Currently 47 schools on Anglesey participate in the scheme. During 2012/13 a grant of approximately £384k was claimed.

The review found that the systems in place for the claiming of this grant complied with relevant grant terms and conditions.

Opinion: An overall Green audit opinion resulted from the review with no recommendations being made.

2.2.4 Direct Payments – Follow Up

An Internal Audit report on Direct Payments was issued in December 2012 and received an overall Red/Amber opinion. A Follow Up of the progress made by management in implementing the two High; one Medium and Seven Low category recommendations made in the report was undertaken in June 2013.

Opinion: The follow up review found that 'Good Progress' had been made in implementing the original recommendations. However, one High and three Low recommendations were not fully implemented at the time of reporting in July 2013.

2.2.5 Penalty Charge Notices

The purpose of the audit was to provide assurance that the figures recorded for Penalty Charge Notices (PCNs) within Anglesey as reported to PATROL – the Joint Committee of England and Wales for the civil enforcement of the Parking and Traffic Regulations outside London are a true reflection of the number of PCNs issued.

The PATROL Adjudication Joint Committee has decided that expenses shall be shared between member authorities in proportion with the number of PCNs issued.

Opinion: An overall Green audit opinion resulted from the review which provided assurance from outside the Parking Section that the figures recorded on the Certificate of Number of Penalty Charge Notices Issued for the financial year 2012/13 are a true reflection of the number of Penalty Charge Notices issued.

2.2.6 Orchard – Logical Access Controls

A review of the logical access controls and segregation of duties within the Orchard Housing system was undertaken following the Housing Rents report issued in April 2013 which found weaknesses in these areas.

The review found that although the weaknesses identified in April 2013 were still apparent steps had been taken to implement the recommendations made in the original Housing Rents report of April 2013.

Opinion: The review found that some progress had been made in strengthening control in this area. Planned further implementation work involving liaison with an established Orchard site (Wrexham County Council) was on-going at the time of reporting.

2.2.7 Treatment of Creditors and Debtors – Year End 2012-13

This review was undertaken to provide assurance over the processes involved in relation to year end creditor and debtor invoices and related cut offs. This area was important for 2012-13 due to the payment of 2012-13 invoices in the CIVICA system from April 2013 with the need to incorporate compensating accruals in the ResourceLink and CIVICA systems.

Opinion: The review ascertained and recorded the processes involved with the treatment of Creditors and Debtors at year end 2012-13. A copy of the report was provided to the External Auditor.

2.2.8 Annual Stock Check – Building Maintenance Unit

An annual verification of stock held at the stores of the Building Maintenance Unit was undertaken on 06 April 2013. Upon completion of the appropriate checks, internal audit is able to conclude that the stock records maintained at the depot were sufficiently accurate on the day and provided a reliable record of the stock levels at the year end.

Opinion: The review provided assurance on the accuracy of the stock quantities at the time of audit.

2.2.9 Schools Key Controls Audit - Finance and Governance

A Final report from audit work at one school was completed in the period. The review resulted in a Green/Amber audit opinion. Recommendations to strengthen internal control weaknesses identified have been made with the relevant Headteacher concerned.

2.3 Summary of Outcomes of Reports Issued to Date – since the 01 April 2013 we have issued nine final reports from the Internal Audit Operational Plan 2012-13; twelve from the 2013-14 plan and three referral reports. To date a total of twenty-one 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 Aug 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.	3	8
Green Amber (C Grade) Inc Good Progress	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.	3	5
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.	0	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.	3	7
Total		9	21

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 – 4 to Draft in period & 12 Finals– excluding referrals)	90%	70%	☹	↑
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	1	☹	↑

3.2 The percentage of the Audit Plan completed figure is 70% (pro rata) for the period. This is expected due to this period starting with the completion and issuing of nine 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 this period. Much of the additional work relating to issues surrounding the CIVICA Ledger implementation.

3.3 The percentage of 'High' and 'Medium' categorised recommendations implemented is below target at 61% which compares with the 68% reported to the last Committee.

3.4 There is a known issue with recommendation tracking of school related recommendations which results in a poor implementation rate for Education on an on-going basis. A central officer within Education is used to track the progress made by Head Teachers in implementing recommendations but the process takes a long time. Internal Audit has assisted in the past and again this year by undertaking a review of all outstanding recommendations relating to schools and by visiting Head Teachers to assist with closure of recommendations where this is appropriate.

3.5 In order to provide a more accurate position as regards implementation rates generally therefore I have added a graph to Appendix A showing the implementation rate without those recommendations outstanding within Education. The implementation rate shown on this graph is 78%.

3.6 Internal Audit has reviewed the reporting lines for Internal Audit, including the implementation of recommendations, in a separate report scheduled for presentation to this Audit Committee. The intention is to raise the profile amongst senior managers of the work of Internal Audit and progress on recommendation implementation 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 In order to provide a 'leaner' service we have started to produce responses to referrals in the form of File Notes rather than full reports where no evidence of fraud or irregularity is found. Six File Notes have been issued in the period to date in 2013/14. None of the work resulting in a File Note has identified any evidence of fraud or irregularity.
- 4.3 As reported at the last Audit Committee 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.

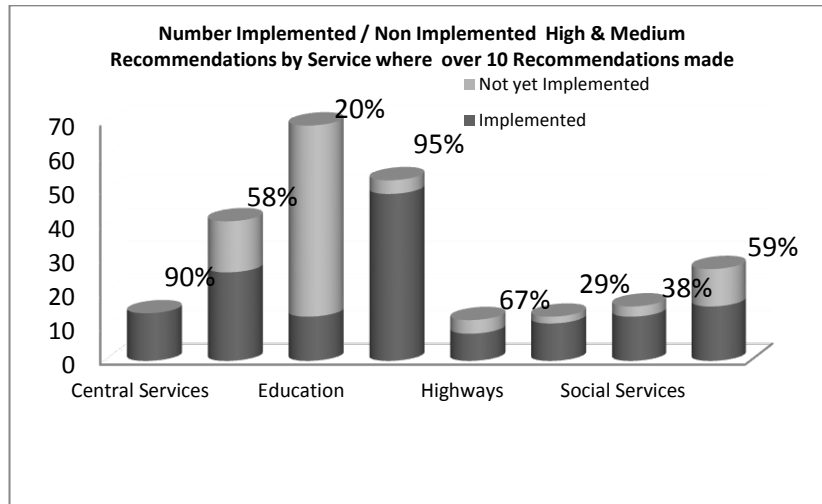
5. RECOMMENDATION TRACKING

- 5.1 For reporting to this Committee only recommendations made since 01-04-2011 have been included in the recommendation tracking analysis.
- 5.2 The performance in implementing all recommendations in the period is below target with 61% of 'High' and 'Medium' recommendations having been recorded as implemented. The performance in relation to recommendations other than those in Education is 78%. Reference to a review of the processes involved for recommendation tracking has been made in paragraph 3.4 of this report.
- 5.3 A graph showing the breakdown of recommendation implementation by Service is provided at Appendix A.

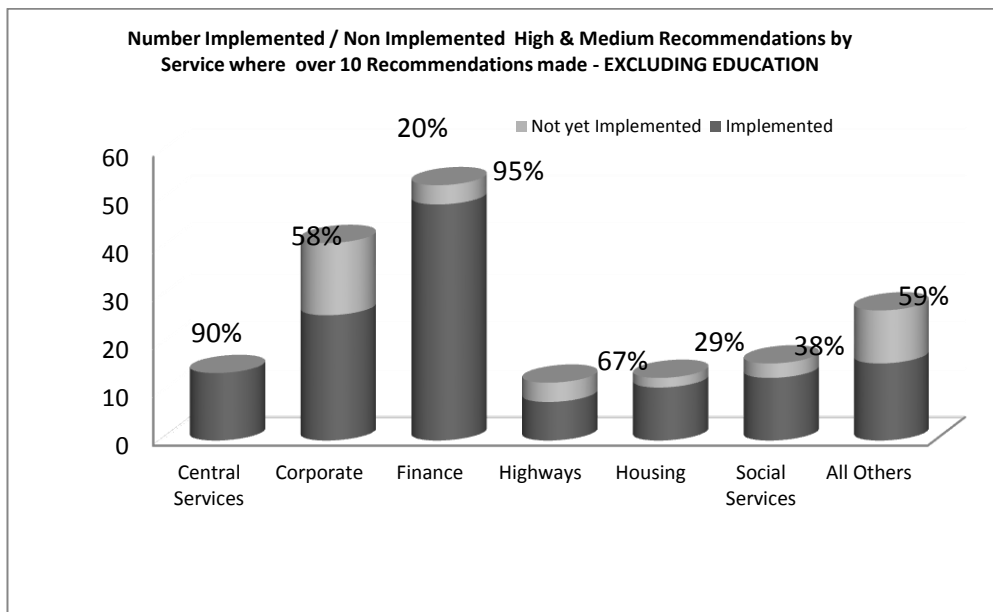
AUDIT MANAGER
17 September 2013

APPENDIX A

Recommendation Tracking Table – ALL High & Medium 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 61% of all such recommendations.**



Recommendation Tracking Table –Non Education High & Medium Recommendations Created Since 01-04-2011 Progress Table: % implemented / non implemented of high and medium category recommendations by service where over 10 recommendations made But excluding Education, which total at the end of the **period was 78% of all such recommendations.**