

AUDIT AND GOVERNANCE COMMITTEE

26 SEPTEMBER 2013

INTERNAL AUDIT PROGRESS REPORT

1. PURPOSE OF THE REPORT

- 1.1 To report on internal audit work carried out during the period April to June 2013, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. BACKGROUND

- 2.1 This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management regarding audit recommendations that have not been accepted or those not implemented within a reasonable timescale. The 2013/14 Audit Plan was approved at Scrutiny Resources Committee on 20th March 2013.
- 2.2 The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

Excellent	★★★★★	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	★★★★	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.
Some improvement required	★★★	There is a basic control framework in place, but not all risk are well managed and a number of controls are required to be strengthened.
Significant improvement required	★★	Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives
Fundamental weakness	★	Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved

3. WORK UNDERTAKEN

- 3.1 Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

- 3.2 A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.
- 3.3 The table is based on the audit plan and the systems grouped into the ten strategic purposes as per the Corporate Plan.
- 3.4 A further summary of the outcomes of audits completed can be found at Appendix B.
- 3.5 Progress against the annual audit plan is good, however, one member of the audit team is due to go on maternity leave in December 2013, which will result in a reduction of resources for the final quarter of 26 days. This will mean that the overall plan for 2013/14 will not be met and it will be necessary to make adjustments to the plan to take into account this reduction in resources.

4. **ISSUES FOR CONSIDERATION**

- 4.1 There is one instance of management not agreeing a recommendation following a finding rated as 'high or medium risk' during the period. The details are as follows:

Creditors - report issued 8th May 2013 - High Risk

The testing identified that, although section 7b of the Council's Financial Regulations states official orders shall be issued for all goods, materials works or services, this has not been enforced due to problems with the functionality of the EFINS (the Council's financial system) order process. This was reported in the 2011-12 audit and Dave Hodgson, Corporate Finance Manager, advised that the use of electronic orders would be reviewed as part of the Autumn 2012 EFINS upgrade. This upgrade has now taken place, but there has been no change in the requirement for all orders to be supported by an official order. As a result, it was recommended that Finance should require all purchases to be supported by an official electronic order.

Dave Hodgson, Corporate Finance Manager, did not agree with this recommendation. He advised:

The requirement to have electronic orders for all purchases was reviewed following the EFINS upgrade. However due to system limitations, it is still not practical to require all purchases to have an EFINS order. Finance may review the requirement in Financial Regulations for all purchases to have an official order.

This issue was reported to the SMT Performance monitoring meeting on 3rd September 2013.

- 4.2 During the first quarter of this year, there are no instances of management accepting a recommendation which was not subsequently implemented within a reasonable timescale.

5. **RECOMMENDATIONS**

- 5.1 That the Internal Audit Progress Report for the first quarter of the year 2013/14 be noted.

Originator: Helen Putt & Helen Kelvey
AUDIT MANAGERS