

AUDIT PANEL		
Report Title	Internal Audit update report	
Key Decision	No	Item No. 5
Ward	ALL	
Contributors	Interim Head of Audit & Risk	
Class	Part 1	Date: 21 November 2012

1. Purpose of the report

- 1.1. This report presents members of the Audit Panel with a summary of:
- Internal audit progress with the audit plan since the last Audit Panel report,
 - Performance of the Internal Audit contractor, and
 - Implementation of internal audit recommendations.

2. Recommendations

- 2.1. It is recommended that the Audit Panel note the content of this report.

3. Background

- 3.1. The Council's Head of Internal Audit reports to the Executive Director for Resources and Regeneration and is supported by an Internal Audit Contract Manager.
- 3.2. This client side of Internal Audit contracts out the Council's Internal Audit Service. Since 2008, and following a competitive tendering process in 2011, this service is provided by RSM Tenon Ltd as the contractor.
- 3.3. The contractor is responsible for completing all the Internal Audit reviews for the Council (non-schools and schools) and any consultancy or grant certification work as directed.
- 3.4. Under a service level agreement the Internal Audit Service also undertakes audits for Lewisham Homes and occasionally for some of Lewisham Council's partners. This work is fully recharged.

4. Internal audit progress update

2011/12

- 4.1. Of the total programme of 89 audits, as at 31/10/12 one report issued on the 05/11/12 remains draft. It is the HR Thematic review. This is a significant review (80 days) covering both the regulatory compliance and enabling aspects of HR's role.
- 4.2. With the exception of the above audit, all reports have been finalised. The three reports listed below were finalised since the last meeting.

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Implementation of Payroll Systems and HR (Resource Link)	06/09/12	Limited / No	-	11	4
RRE	Regeneration of Lewisham	19/09/12	Substantial	-	-	1
COM	Monitoring of Small Grants	05/0/12	Consultancy	-	4	-

2012/13

- 4.3. The 2012/13 plan has 87 pieces of work; six of these are for advice rather than audit work. These advisory pieces of work do not require draft reports and as such will go straight to final when the advice memo is issued.
- 4.4. The table below shows the status of the audit plan for 2012/13 as at the 31/10/12. It shows that:
- 49% of plan is underway, with
 - 37% of the plan completed to at least draft report stage, and
 - 30% of the plan finalised.

Lead Dir.	Original Plan Work for Year	Extra Audits	Dropped Audits	Current Audit Plan	Final Reports Issued	No of Draft Reports	WIP	Field work not yet started
RRE	27	3	-	30	4	1	6	19
CUS	11	1	(1)	11	2	-	3	6
COM	9	1	-	10	3	-	1	6
CYP	6	-	-	6	-	1	1	4
SCH	29	1	-	30	17	4	-	9
Total	82	6	(1)	87	26	6	11	44

- 4.5. There was one additional piece of work added to the audit plan since the last Audit Panel meeting, and one cancelled audit. They were:

Additional

- Fairlawn School – requested by new Headteacher.

Cancelled

- Post implementation review of ASH Debtors system. System was not implemented.

- 4.6. There have been 16 reports finalised since the last meeting for 2012/13. They are:

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
RRE	Gifts and Hospitality for Staff	15/10/12	Limited	5	2	-
RRE	Members Expenses and Interests including Key Officers and Members Register of interests	19/10/12	Substantial	-	2	3
RRE	Storage of Major Contracts	16/10/12	Advice	-	-	-
CUS	Dry Recycling Contract	31/10/12	Limited	2	2	1
COM	Community Libraries	28/09/12	Satisfactory	2	-	1
COM	Library Contract	28/09/12	Satisfactory	2	-	1
COM	Personal and Individual Budgets	14/09/12	Limited	-	6	2
SCH	Forest Hill Secondary	27/09/12	Satisfactory	1	-	5
SCH	Holbeach School	27/09/12	Limited	1	5	4
SCH	Adamsrill Primary School	04/10/12	Substantial	-	2	2
SCH	Foster Park School Full Follow-up Rpt	12/10/12	Substantial	-	-	1

Dir	Audit	Date of Final	Audit Opinion	Recs. Made		
				H	M	L
SCH	Sandhurst Infant School	12/10/12	Substantial	-	2	2
SCH	St Michael's Primary School	09/10/12	Satisfactory	-	4	4
SCH	Edmund Waller Primary School	17/10/12	Satisfactory	-	3	5
SCH	Watergate School	22/10/12	Substantial	-	2	4
SCH	Our Lady and St Philip Neri Primary	23/10/12	Satisfactory	-	2	11

5. Limited and No Assurance reports

5.1. Since the last Audit Panel meeting there has been four 'Limited' reports issued and one 'Limited/No' assurance report. There have been no consultancy reports.

- Implementation of payroll systems and HR (2011/12) – Limited / No,
- Holbeach School (2012/13) – Limited,
- New Waste Recycling Contract (2012/13) - Limited
- Personal Budgets and Individual Budgets (2012/13) - Limited, and
- Gifts and Hospitality for Council Staff (2012/13) – Limited

5.2. In respect of the 2011/12 payroll and HR implementation audit there are two opinions as the scope changed during the course of the systems security work (Limited assurance) to include testing of the data migration work (No assurance) at the time the system implementation in April 2011. The No assurance opinion arose because project records had not been maintained. Nonetheless, the annual key controls payroll system audit completed for 2011/12 was given Satisfactory assurance.

5.3. The Executive Summaries findings for these reports can be found in Appendix 4.

6. High or Medium recommendations not agreed

6.1. Since the last Audit Panel meeting, there have been no recommendations that management have not agreed.

7. Implementation of internal audit recommendations

Follow-ups

7.1. The table below is a summary of the total number of recommendations followed-up by the contractor since the last Audit Panel report and up to 31/10/12. There were 11 follow-up reviews completed, with 96% of the recommendations either implemented or in progress.

7.2. Details of the individual follow-ups conducted can be found at Appendix 2.

	Implemented	In progress	Superseded	Not Implemented	Not Due	Total
No.Recs	25	3	-	1	-	29
Rec'ns.	86%	10%	-	4%	-	100%

7.3. The cost required to undertake school follow-ups is felt to be unnecessary and duplicative. This is because:

- it is contrary to the general trend seen for all other matters of governance where there is more ownership taken by the schools,
- the levels of assurance (with few exceptions) in schools have been improving consistently for three years, and

- schools do not use the Council's systems so this is a two step process for C&YP to update the recommendations for schools and then internal audit to follow them up.

7.4. Given these considerations, internal audit will maintain the audit tracking and reporting role but no longer undertake detailed follow-up work, relying instead of the existing monitoring in place between C&YP and schools. The exception will be follow-ups for any Limited or No assurance school opinions.

Superseded

7.5. Detail of the recommendations that have been superseded up to the 31/10/12 are listed below.

Audit		Recommendation superseded		Management comment
Risk Management – Operational Risk Registers 2010/11 RES07	Ltd	The Council should explore the possible RM training options for managers and staff. The programme should improve RM awareness and ensure staff, including new joiners, receive RM training.	Medium	Consulted RMWP to confirm actual RM training needs in Dir. RMWP agreed RM update and P+ training for those managing risk registers and a RM introduction e-learning module for others. RM update and P+ training delivered – confirmed by Internal Audit at follow-up. Introduction to RM e-learning in development. This part of the recommendation was repeated in 2011/12 Risk Maturity audit and is tracked there as due for completion in Nov 12. (see also update to Audit Panel in September 12).
Application Implementation for HR and Payroll 11/12 RRE21	No Ass.	Monitor projects with key project milestones and report / escalate any variances	Medium	Similar recommendations made previously in the RRE 08 2011/12 Project Management review. As such these recommendations were superseded and tracking of implementation will be monitored around the RRE08 2011/12 recommendations.
		Data conversion and migration testing - Project documentation is promptly uploaded to the relevant site to ensure approval of documentation	Medium	
		Authorisation to go live Project documentation is promptly uploaded to the relevant site to ensure approval of documentation	Medium	
Schools Outsourced Pension 10/11 CYP09	Sat.	(Rushey Green) School should retain a copy of their completed Pension notification as evidence it was sent to the Pension fund.	Medium	Recommendation is superseded or unnecessary as it assumes the school has a responsibility that it doesn't.

Implementation of recommendations

7.6. As at the 31/10/12, the table below shows the status of recommendations made by Internal Audit. Details of those recommendations that are either overdue or have multiple changes of implementation date can be found in Appendix 3.

- 7.7. There has been a significant reduction in those recommendations (continuing the good progress of the last six months) that are overdue since the last meeting.

Lead Dir	Previous No. of O/Due Recs.	Current No. of O/due Recs at 31/10/12	Current No. of Recs with 2+ changes	Previous No. of Open Recs at 22/08/12	No of Recs Re-opened since 22/08/12	No. of New Recs From 22/08/12	Closed Recs from 22/08/12	Current Open Recs at 31/10/12
RRE	16	-	1	23	-	18	(18)	23
CUS	2	-	2	8	-	-	(3)	5
COM	18	1	3	12	-	10	(7)	15
CYP	11	3	2	26	-	-	(3)	23
Total N/S	47	4	8	69	-	28	(31)	66
SCH	59	-	3	50	3	15	(35)	33
Total All	106	4	11	119	3	43	(66)	99

IMT – system security and business continuity

- 7.8. Having identified a number of recommendations on systems security and business continuity risks, Members at the last Audit Panel requested a written update from the Head of Information Management Technology (IMT) on these two areas. His update is:
- 7.9. In respect of systems business continuity the risks in this area are acknowledged. The Corporate IMT team are responsible for agreeing with system owners disaster recovery timelines and the required resilience and recovery parameters to meet these. Within these disaster recovery timelines the system owner is responsible for having business continuity arrangements in place to enable their service to be delivered until the system is returned to use. The 2012/13 audit plan includes an audit in this area which has been scoped to take a view on how comprehensively and effectively this has been done for the corporate and line of service systems. This audit starts in November and will effectively pull together and assess an overview on the concerns noted from other reports by the Audit Panel. The findings and recommendations from this audit will then drive the action plans for ensuring effective disaster recovery plans and testing of these for the Council's IT systems is in place.
- 7.10. In respect of systems security officers are confident, notwithstanding the internal audit recommendations made, that the Council's systems are adequately secured. The internal audit recommendations to date have principally identified that the Corporate IMT team has not effectively documented the processes and controls in place. This is being addressed and tracked through the actions agreed in the audit reports. The controls in place include: information system risk assessments, active monitoring of data protection risks, and penetration incident reporting. These are now working well and the programmes of work in place will continue to ensure effective system security is maintained.
- 8. Performance of the contractor**
- 8.1. One of the ways that the performance of the contractor is measured is by agreed Performance Indicators (PIs). Following previously reported delays and from September, the audit plan has been rebased to ensure that it will be completed in time with the resources available. As such PIs, 1, 2, 3, and 6 are now measured from September.

No.	Performance Indicator (as at 31/10/12)	Target YTD		Actual YTD to		Variance on target (+/-)	
		%	No.	%	No.	%	No.
1*	Percentage of all draft reports issued against audit plan.	35%	28	35%	28	-	-

No.	Performance Indicator (as at 31/10/12)	Target YTD		Actual YTD to		Variance on target (+/-)	
		%	No.	%	No.	%	No.
2*	Percentage of draft audit reports issued within 15 working days of the exit meeting.	90%	7	100%	9	+10%	+2
3*	Percentage of final reports issued within 10 working days of agreed draft report.	95%	9	100%	10	+5%	+1
4	The average level of client satisfaction. (out of a score of 4).	3		3.6		+0.6	
5	Percentage of High & Medium recommendations made agreed by management.	90%	42	100%	47	+10%	+5
6*	Percentage of follow-up reviews completed to plan (i.e. within nine months of final report)	34%	22	34%	22	-	-

* Reports target from September.

8.2. All PIs met or exceeded their target. The detail of progress against the plan is included at Appendix 1.

9. Corporate risks

9.1. This quarter is an update quarter on the corporate risks as the Panel reviewed the detailed comparison of audit plan to the corporate risks in September.

9.2. Corporate risks are assessed on a five point scale for impact and likelihood. These are then multiplied to give the current risk score. The criteria for the five point scale is provided in Appendix 5.

9.3. The corporate risk register is currently reporting:

Risk	Current score	Current status	Direction of Travel
Failure to maintain minimum service continuity during and quickly recover from a disaster.	12	●	→
Failure of central ICT infrastructure.	12	●	→
Non compliance with Health & Safety Legislation.	12	●	→
Failure to anticipate and respond appropriately to legislative change: <ul style="list-style-type: none"> Localism Act Public Services Act Welfare Reform Bill. 	8	●	→
Financial failure and inability to maintain service delivery within a balanced budget.	8	●	→
Failure to prevent and detect fraud & corruption.	8	●	→
Lack of provision for unforeseen expenditure or loss of income in respect of Council's liabilities or funding streams.	8	●	→
Loss of income to the Council.	12	●	→
Failure to manage performance leads to service failure.	6	★	→
Multi-agency governance failure leads to ineffective	8	●	→

Risk	Current score	Current status	Direction of Travel
partnership working.			
Failure to manage strategic suppliers and related procurement programmes.	6	★	→
Loss of a strategic asset or premises through failure to maintain it in a safe and effective condition.	16	▲	→
Failure of safeguarding arrangement.	20	▲	→
Loss of constructive employee relations.	20	▲	→
Information governance failure.	9	●	→
Failure to maintain sufficient management capacity & capability to deliver business as usual and implement transformational change.	16	▲	→
Loss of service capacity and failure to protect the vulnerable due to extreme environmental circumstances.	8	●	→
Governance failings in the implementation of service changes.	8	●	→

Key: ▲ Red (score 15-25) ● Amber (score 8-14) ★ Green (score 1-7)

- 9.4. The audit planning process for 2013/14 has started as we conclude the assurance mapping exercise. The Assurance Mapping is being finalised with 20 Heads of Service having provided a summary of the key processes in their area and their first, second and third lines of assurance for each process. The first line being assurance from within their team (e.g. performance reports, one to one meetings, exception reports etc.), the second line being assurances from other Council or partner activities (e.g. budget monitoring, HR information, complaints etc.), and the third line assurances from external third parties (e.g. auditors, inspectors, regulators etc.). The assurance map then scores each level of assurance in place for each process to identify where there may be gaps.
- 9.5. Where gaps in our information remain, these will be validated and updated in the ongoing planning discussions. The audit plan will then be shaped to focus on key areas of risk in this framework.

10. Legal Implications

10.1. There are no legal implications arising directly from this report.

11. Financial Implications

11.1. There are no financial implications arising directly from this report.

12. Equalities Implications

12.1. There are no equality implications arising directly from this report.

13. Crime and Disorder Implications

13.1. There are no crime and disorder implications arising directly from this report.

14. Environmental Implications

14.1. There are no legal implications arising directly from this report.

15. Background Papers

15.1. There are no background papers.

If there are any queries on this report, please contact David Austin, Interim Head of Audit and Risk, on 020 8314 9114 or email him at david.austin@lewisham.gov.uk

Appendix 1 – Progress on the 2012/13 audit plan.

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Croydon PFI advice on Governance	May	10/05/12	N/A	25/06/12	N/A	
RRE	Members Expenses and Interests	Apr	09/05/12	06/07/12	19/10/12	Substantial	
RRE	Gifts and Hospitality for Council Staff	May	03/06/12	25/09/12	15/10/12	Limited	
RRE	Storage of Major contracts	Apr	10/09/12	N/A	16/108/12	Advice	
RRE	Third Party Access to IT systems	Apr	14/08/12	30/10/12			Delay by client sponsor
RRE	Assurance Mapping	Apr	06/07/12				
RRE	Procurement Card Expenditure	Jun	25/10/12				
RRE	Budget Control and Monitoring	Sep	12/10/12				
RRE	Main Accounting	Sep	17/10/12				
RRE	Health and Safety	Sep	24/10/12				
RRE	Information Asset Register (IAR)	Sep	15/10/12				
RRE	Criminal Records Bureau checks	Apr					Waiting for 11/12 audit TBC.
RRE	Continuous Auditing	May					
RRE	Land Management, Commercial Properties and Planning	Jul					
RRE	Non Current Assets	Sep					
RRE	Capital Programme, Monitoring and Expenditure	Sep					
RRE	Treasury Management	Sep					
RRE	Maintenance of Assets and Premises	Sep					
RRE	New Oracle Update.	Sep					
RRE	Business Continuity of ICT Infrastructure	Sep					
RRE	IT Strategy	Oct					Management deferred to Oct
RRE	Payroll	Oct					
RRE	Accounts Payable	Nov					
RRE	Pensions	Nov					

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Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
RRE	Croydon Lighting PFI Contract	Nov					
RRE	Procure 2 Pay (P2P) benefits	Nov					
RRE	Income forecasting V's Savings Agreed	Nov					
RRE	Risk Maturity	Jan					
RRE	Divisional Risk Registers	Jan					
RRE	Payment by Results Pilot	Jan					
CUS	Advice on Post Office Pay Out Process	May	16/05/12	N/A	15/08/12	N/A	
CUS	New Waste Recycling Contract	Jun	23/07/12	13/09/12	31/10/12	Limited	
CUS	Council Tax	Sep	22/10/12				
CUS	Accounts Receivable	Sep	22/10/12				
CUS	Housing and Council Tax Benefit	Oct	29/10/12				
CUS	Phase 2 of the cashiers	Jul					
CUS	Bereavement Services	Oct					
CUS	Clienting of Lewisham Homes	Oct					
CUS	Private Sector Leasing	Oct					
CUS	Banking	Feb					
CUS	NNDR	Feb					
COM	Personal Budgets & Individual Budgets	Apr	11/06/12	03/08/12	14/09/12	Limited	
COM	Library Contract	Apr	12/07/12	13/09/12	28/09/12	Satisfactory	
COM	Advice on Client Monies Procedures	May	18/05/12	n/a	12/09/12	Advice Only	
COM	Social Care Advice & Information Team and District Nurse Call Centre	Feb	26/09/12				District Nurse Call Centre will be reviewed at a later stage.
COM	Project Advice Board - IAS System	Jun					To attend when needed.
COM	Adult assessment and care management review.	Oct					
COM	Client Contributions for Residential & Domiciliary Care	Nov					

Appendix 1 – Progress on the 2012/13 audit plan.

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
COM	Payments to Residential and Domiciliary Care	Nov					
COM	Community Equipment and TSES.	Dec					
COM	National LG Calculations	Jan					
CYP	Looked after Children Payments	Dec	19/09/12	19/10/12			
CYP	Pupil Referral Unit (PRU) - New Full Delegated Powers.	Jul	12/09/12				
CYP	Early Intervention Grant	Apr					Deferred for team changes
CYP	Statutory Maintenance in Estate Management (CYP)	Dec					
CYP	SEN - Pathfinder Scheme and Personal Budgets	Jan					
CYP	Notification Process for Looked After Children (LAC)	Feb					

Schools

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
SCH	St Stephens Primary	Apr	30/04/12	31/05/12	01/06/12	Substantial	
SCH	Clyde Nursery	Apr	19/04/12	23/05/12	13/06/12	Satisfactory	
SCH	Holbeach Primary	Apr	16/04/12	10/07/12	27/09/12	Limited	
SCH	Forest Hill Secondary	Apr	17/04/12	10/07/12	04/09/12	Satisfactory	
SCH	Sandhurst Infant	Apr	25/06/12	16/07/12	12/10/12	Substantial	
SCH	St Mary Magdalene's Primary	May	16/05/12	20/06/12	10/07/12	Substantial	
SCH	Athelney Primary	May	03/05/12	31/05/12	28/06/12	Satisfactory	
SCH	St Josephs Primary	May	24/05/12	20/06/12	10/07/12	Substantial	
SCH	Sedgehill Secondary	May	28/05/12	18/06/12	22/06/12	Substantial	

Appendix 1 – Progress on the 2012/13 audit plan.

Lead Dir	Audit Title (Key Audits in Bold)	Due to start	Date F/W Started	Date Draft Issued	Date Final Issued	Assurance Level	Comments
SCH	Sydenham Secondary	May	14/05/12	19/06/12	10/07/12	Substantial	
SCH	Prendergast - Ladywell Secondary	Jun	18/06/12	10/07/12	27/07/12	Substantial	
SCH	Forster Park Primary	Jun	27/06/12	10/07/12	12/10/12	Substantial	Full f/up on 11/12 report
SCH	St Michaels Primary	Sep	11/09/12	26/09/12	09/10/12	Satisfactory	
SCH	Edmund Waller Primary	Sep	11/09/12	16/10/12	17/10/12	Satisfactory	
SCH	Adamsrill Primary	Sep	24/09/12	01/10/12	04/10/12	Substantial	
SCH	Watergate Special School	Sep	10/09/12	27/09/12	22/10/12	Substantial	
SCH	Our Lady & St Philip Neri Primary	Oct	10/10/12	19/10/12	23/10/12	Satisfactory	
SCH	Launcelot Primary	Sep	17/09/12	27/09/12			
SCH	Deptford Green School Secondary	Oct	08/10/12	29/10/12			
SCH	Fairlawn Primary School	Oct	01/10/12	29/10/12			
SCH	Trinity School Secondary	Oct	23/10/12	31/10/12			
SCH	Bonus Pastor RC Secondary	Oct					
SCH	Prendergast - Hilly fields Secondary	Oct					
SCH	Kender Primary	Oct					
SCH	Abbey Manor Secondary PRU	Nov					
SCH	Addey & Stanhope Secondary	Nov					
SCH	Conisborough College Secondary	Nov					
SCH	Prendergast Vale College (Secondary)	Nov					
SCH	Crossways Secondary	May					Cancelled. New date TBC
SCH	Kilmorie Primary	Dec					

Appendix 2 Follow-up reviews completed.

Dir.	Audit Name	Audit Opinion	Final Rpt date	Rec Cat.	Implemented	In Progress	Superseded	Not Implemented	Not Due Yet	Total Recs
COM	Personal Budgets	Satisfactory	23/11/11	H						3
				M	3					
RRE	Public Sector Transparency Board	Satisfactory	01/09/11	H						2
				M	2					
CYP	Children's Social Care – Compliance with file Standards	Satisfactory	01/09/11	H						1
				M	1					
SCH	Perrymount Primary School	Satisfactory	23/12/11	H						4
				M	4					
SCH	Street Cleansing	Consultancy	23/09/11	H	1					5
				M	4					
SCH	Childeric Primary Sch	Satisfactory	21/10/11	H						3
				M	1	1		1		
SCH	Ashmead Primary Sch	Substantial	14/11/11	H						2
				M	2					
SCH	St Bartholomew's Sch	Satisfactory	28/10/11	H						3
				M	2	1				
COM	LD Spot Check Review	Substantial	07/03/12	H						2
				M	2					
RRE	Real Asset Management System Security	Satisfactory	15/03/12	H						3
				M	2	1				
SCH	St Winifred's Jnr Sch	Substantial	02/03/12	H						1
				M	1					
Total No.					25	3	-	1	-	29
Percentage					86%	10%	-	4%	-	

Appendix 3 – Overdue Recommendations and Recommendations Two or More Changes of Date as at 31/10/12

Dir	Name of Audit	Final Report Date	H O/D	M O/D	2+ chgs	Comment
COM	Client Contributions for Residential and Domiciliary Care	24/04/12	-	1	2	One rec date changed 4 and the other 5 times
CYP	Generic Contract Review – Group School PFI	12/04/12	-	3		
Not overdue but with multiple changes of date.						
RES	Risk Maturity -2011/12	31/05/12	-	-	1	Target date changed 2 times. Changes from previous 'Operational Risk Register' audit were carried over into this recommendation.
CUS	Brockley Housing PFI Contract	03/02/2012	-	-	1	Target date changed 4 times.
CUS	Council Tax 2011/12	16/04/2012	-	-	1	Target date changed 2 times.
COM	Community Mental Health (SLAM)	18/12/2009	-	-	1	Target date changed 8 times.
CYP	Social Care Contractual Arrangements – CAMHS	26/05/2011	-	-	1	Target date changed 2 times.
CYP	Payments for Looked After Children 2010/11	04/04/2011	-	-	1	Target date changed 2 times
SCH	Grinling Gibbons School	11/02/2012	-	-	2	Target date changed 2 times. Changes due to delayed f/up.
SCH	New Woodlands School	05/03/2012	-	-	1	Target date changed 2 times. Changes due to delayed f/up.
Total			-	4	11	

Appendix 4 – Limited, No Assurance and Consultancy Reviews

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	n/a
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found [here](#).

Inconsistencies within the Code of Practice and Code of Conduct can be found in Appendix A on page 14.

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

Key Findings that Need Attention

- Compliance with the Code of Practice is not given sufficient prominence within the Council.
- There are inconsistencies between the Employee Code of Conduct which includes a section on Gifts and Hospitality and the Code of Practice for the Receipt of Gifts & Hospitality (G&H).
- There are further inconsistencies between the Employee Code of Conduct and the annual declaration completed by senior officers.
- The emphasis of the Code should be extended beyond the acceptance of Gifts & Hospitality in the tendering environment to encompass the acceptance of Gifts & Hospitality in any scenario that could bring the Council into disrepute.
- Entries in electronic Gifts & Hospitality Registers should be protected from overwriting entries.
- Insufficient information is being recorded in the Gifts & Hospitality Registers in respect of why gifts have been offered, accepted or rejected.
- No monitoring is undertaken in respect of the completion of registers or the nature of gifts accepted.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 12 for definitions and further details. For full risk identified and please see the APS.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. May not be a Clear Code of Practice for Receipt of Gifts and Hospitality.	▲	★	2	1	
Risk 2. May not be Directorate Gifts & Hospitality Registers.	▲	★	1	1	
Risk 3. May not be a nominated Gifts & Hospitality Register Monitoring Officer.	★	▲	1		
Risk 4. The law and penalties associated with Gifts & Hospitality maybe unclear or not communicated.	▲	★			
Risk 5. Inability to demonstrate consistent compliance with the policy for Gifts & Hospitality.	▲	★	1		
Total Number of Recommendations	6	1	5	2	0
Opinion of Design and Compliance	▲	▲			

Areas of good practice where controls worked well

- There is a corporate Code of Practice for the Receipt of Gifts & Hospitality, which stipulates the potential penalties for non-compliance.
- All Directorates were seen to maintain a Register for the Receipt of Gifts & Hospitality in some format.

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS.

Appendix 4 – Limited, No Assurance and Consultancy Reviews

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	↘
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found on page 9.

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

Key Findings that Need Attention

- The school did not have an inventory / asset register.
- The schools financial procedures manual was not up-to-date in relation to the Local Authority's Schools Finance Manual
- The school's own finance manual had not been approved by the governors.
- Up-to-date governor business interest forms are not being maintained and retained in the school.
- The school's lettings policy requires revision.
- The monthly Oracle salaries report is not being consistently signed to confirm acceptance.
- Documentary evidence is not consistent in respect of recruitment procedures.
- Invoices are not consistently certified before payment is made.
- Competitive quotations are not being consistently obtained for expenditure of £3,000 and above.
- Petty cash vouchers are not being consistently authorised before reimbursement is made.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 8 for definitions and further details. For full risk identified and please see the APS on page 9

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Governance	★	★		1	2
Risk 2. Inventory	★	▲	1		
Risk 3. Banking	★	★			
Risk 4. Budget Monitoring	★	★			
Risk 5. Income Controls	★	★			1
Risk 6. Recruitment	★	★			1
Risk 7. Payroll	★	★		1	
Risk 8. Purchasing	★	▲		3	
Risk 9. Data Security	★	★			
Total Number of Recommendations	4	6	1	5	4
Opinion of Design and Compliance	★	▲			

Areas of good practice where controls worked well

As a result of Internal Audit sample testing, it was found that:

- Bank reconciliations were regularly produced.
- Income was banked on a timely basis and intact.
- The budget was monitored and controlled.

Areas of good practice

The school has devised stickers, which make it clear which purchasing controls are required.

Changes to Scope

The review was conducted in line with the original scope as agreed in the APS.

Conduct of the audit

Internal Audit would like to thank the following members of staff who assisted during the course of the audit:

Headteacher
 School Business Manager
 Senior Administrative Officer and
 Administrative Officer

Appendix 4 – Limited, No Assurance and Consultancy Reviews

Audit Name, Date of Issue and Opinion	No of Recs. Made		Risks reviewed during the audit
<p>Implementation of Payroll and HR System.</p> <p>06/09/12</p> <p>System implementation – No Assurance</p> <p>System security – Limited Assurance</p>	High	-	<p>Internal audit assessed the controls to mitigate the follow risks:</p> <ul style="list-style-type: none"> • Failure to include all known risks in operational risk registers. This could result in failure to take appropriate action to mitigate known and recorded risks that have been identified. • Weaknesses in the IT-related controls may compromise the security and integrity of the HR and Payroll systems and data. This can lead to fraud, for example creation of ghost employees or unauthorised payment. • Ineffective data conversion, migration and reconciliation activities to verify the Payroll data loaded into ResourceLink from the Delphi system, could lead to a lack of assurance on the integrity of the database and possible fraud/ financial loss. • Ineffective system implementation leading to a lack of assurance on the integrity of the system, could lead to possible fraud/ financial loss.
	Medium	11	<p>Key Findings</p> <ul style="list-style-type: none"> • No risks relating to the ResourceLink system were identified in the operational risk registers for Payroll, HR or IT. • There was no terms of reference for the PHRIS Board. • The agendas for the PHRIS board do not include risk as an agenda item. It appears that a risk register was not maintained after the project manager departed. We are unable to give assurance regarding project governance for the period after the departure of the project manager. • The implemented password and account lockout settings for ResourceLink operator accounts, including MyView administration accounts, and for Business Objects access were not robust. • No processes were established for reporting or reviewing MyView profiles for staff or MyView administrators. • There was no proven Disaster Recovery arrangements for the ResourceLink system. • No data migration plan or strategy was documented for the payroll data in ResourceLink. • There was no evidence that testing and acceptance criteria had been defined in advance for the data migration / reconciliation. Although informed that data quality was assessed during a period of parallel running, there was an absence of comprehensive test results or sign-off of testing completion. There was no evidence that all tests were successful or of resolution of all variations / limitations. • Although we were informed that the ‘go live’ decision was made by the Project Board (Head of Business Management & Service Support, Strategic Adviser (HR Services), Group Manager Pensions, Payroll & Personnel Admin, and the Corporate Technology Manager), at the time of the audit we were not provided with evidence of this.

Appendix 4 – Limited, No Assurance and Consultancy Reviews

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	→
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found [here](#).

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

Key Findings that Need Attention

- Monthly client/contractor meetings need to take place.
- Clearer reporting of performance at client/contractor meetings is needed.
- An increase in the level of sampling inspections of tipping and contamination levels should be considered to ensure accuracy of data which has a financial/operational implication.

Areas of good practice where controls worked well

- The process of monitoring budgets and variance recording is consistent.
- Weighbridge ticket reconciliation is appropriately monitored.
- Income accurately reflects tonnage tipped at Material Recycling Facility (MRF).
- Reporting of National Indicators to DEFRA and tiers of Council Management.
- The process of operational control of the collections rounds.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 5 for definitions and further details. For full risk identified and please see the APS.

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Risk Registers	★	★			1
Risk 2. Budget Monitoring	★	★			
Risk 3. Income Controls	●	★		1	
Risk 4. Performance Targets	▲	▲	2	1	
Total Number of Recommendations	2	3	2	2	1
Opinion of Design and Compliance	▲	▲			

Appendix 4 – Limited, No Assurance and Consultancy Reviews

Internal Audit Assurance Opinion	Direction of Travel	
★ Substantial		
● Satisfactory		
▲ Limited	✓	➔
■ No Assurance		
C Consultancy		

The background for this service, including the agreed scope and risks identified, are included in the Audit Planning Sheet (APS) which can be found on page 10.

Internal Audit report by exception only. We mention only those areas where further management action is required to improve internal control.

These management actions are set out in the recommendation table on page 2.

- Submission of formal bank statements in an acceptable format, to prevent the manipulation of monitoring information.
- A full financial monitoring review of all current adult Direct Payment clients has not been performed.
- Care plan assessment and financial reviews are not consistently undertaken on an annual basis.
- The wording of care agreements to be reviewed to ensure third parties is fully aware of their liabilities.
- Freewood are not consistently informed by the Council of changes to client's care plans that would have an impact on payments.
- Direct Payments in respect of Personal Individual Budgets are required to be included in the operational risk register.

D = Design of Controls C = Comply with Controls.

See glossary and contacts on page 9 for definitions and further details. For full risk identified, please see the APS on page 10.

Risk Headings	D	C	Recs		
			H	M	L
Risk 1. Failure of the Resource Allocation System	★	★			
Risk 2. Monitoring of Personal and Individual Budgets	●	●		4	
Risk 3. Failure to inform clients of their responsibilities	★	★		2	
Risk 4. Failure to include all known risks.	★	★			1
Risk 5. Office procedures may be out of date.	★	★			1
Total Number of Recommendations	3	5	0	6	2
Opinion of Design and Compliance	●	●			

Key findings that need attention

- A need for better co-ordination between the various services areas involved in adult Direct Payments.
- The appointment of a Direct Payment Co-ordinator has been deferred until completion of the staffing structure and grades. Until such time they will continue to employ a locum Direct Payment monitoring officer.

Areas of good practice where controls worked well

As a result of Internal Audit sample testing:

- The Direct Payment monitoring process has been significantly improved by the Self-Directed Support (SDS) Development Officer and monitoring assistant.
- All assessments were seen to have been approved by a line manager and then by an Assessment Panel to ensure that the calculated budget was correct.
- All Direct Payment Clients have signed an agreement with the Council that sets out the information the Council will require to enable monthly monitoring.
- A monthly monitoring spread-sheet has been created of all Direct Payment service users to track the receipt of expenditure reports and record the sequence of reminder letters and other follow up action.
- The Council have entered into a contract with Freewood, now a Charity, who can provide a payroll, guidance and support service to the clients.
- A sequence of letters has been devised by the SDS Development Officer to remind clients of their responsibilities to the Council.
- Surplus funds in client's holding accounts and Direct Payment accounts were seen to be monitored, with excessive amounts clawed back.
- The Council receives a quarterly report from Freewood of payroll services provided, showing income/expenditure movements in client accounts, and the balance at the end of each month.
- There is a detailed guidance manual to assist staff.

Changes to Scope

This review was conducted in line with the original scope as agreed in the APS.

Appendix 6 – Audit & Risk Service Assurance Map

Likelihood: Of the risk / hazard occurring				
	Rating	Probability	Description 1	Description 2
Very High	5	> 50%	More likely to occur than not	Regular occurrence. Circumstances frequently encountered - daily/weekly/monthly
High	4	21 – 50%	Likely to occur	Likely to happen at some point in the next 1-2 years. Circumstances occasionally encountered (few times/year)
Medium	3	6 – 20%	Reasonable chance of occurring	Only likely to happen every 3 or more years
Low	2	1 – 5%	Unlikely to occur	Has happened rarely
Very Low	1	< 1%	Will only occur in exceptional circumstances	Very low probability / never before

Impact: Most probable result or consequence of the risk/hazard occurring					
	Rating	Individual	Service	Reputation	Finance/Budgets
Very High	5	Death of an individual or several people	Complete loss of services, including several important areas of service Service Disruption: 5+ Days. Service Resource Diversion: Up to 80%	Adverse and persistent national media coverage. Adverse central government response, involving (threat of) removal of delegated powers. Officer(s) and/or Members forced to resign	£5m +
High	4	Severe injury to an individual or several people, requiring immediate hospitalisation	Major loss of an important service area Service Disruption: 3-5 Days Service Resource Diversion: Up to 60%	Adverse publicity in professional/municipal press, affecting perception/standing in professional/local government community.	£2.5m - £5m
Medium	3	Injury to an individual, requiring immediate hospitalisation	Major effect to an important service area Service Disruption: 2-3 Days Service Resource Diversion: Up to 40%	Adverse local publicity/local public opinion	£1m - £2.5m
Low	2	Minor injury to an individual or several people requiring hospital treatment	Major effect to an important service area for a short period Service Disruption: 1-2 Days Service Resource Diversion: Up to 30%	Negative local publicity of a persistent nature	£500k - £1m
Very Low	1	Minor injury to an individual requiring hospital treatment	Significant effect to non-crucial service area Service Resource Diversion: Less than 20%	Negative local publicity	£250k - £500k