



**Report for:  
INFORMATION**

**Item Number 9**

<b>Contains Confidential or Exempt Information</b>	No
<b>Title</b>	Internal Audit Performance Report Q2 2013/14
<b>Responsible Officer</b>	Maria G. Christofi, Director of Finance (Deputy s151 officer)
<b>Author</b>	John Allsop, Audit & Risk Manager Tel: 020 88256078. E-mail: allsopj@ealing.gov.uk
<b>Portfolio</b>	Finance & Performance, Cllr Yvonne Johnson
<b>For Consideration By</b>	Audit Committee
<b>Date to be considered</b>	19 <sup>th</sup> September 2013
<b>Implementation Date if Not Called In</b>	N/A
<b>Affected Wards</b>	All
<b>Keywords/Index</b>	N/A

**Purpose of Report:**

The attached report describes the work of Internal Audit for the 5 month period 1<sup>st</sup> April 2013 to 31 August 2013.

**1. Recommendation**

It is recommended that the Committee review Internal Audit's performance and key issues arising during the period 1<sup>st</sup> April 2013 - 31 August 2013. (**Appendix A**)

**2. Reason for Decision and Options Considered**

This is a programmed, periodic report on the progress of internal audit; no decision is required.

**3. Key Implications**

Internal audit is an assurance function that provides an independent and objective opinion to Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving corporate objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. While assurance will also be sought from third parties, the assurance gained from the programme of work set out in the 2013/14 Plan will form the main input for the development of the 2013/14 opinion to Council.

### 3.1 Performance as at 31 August 2013

3.1.1 The 2013/14 Plan was approved by the Committee in March 2013. The Plan is indicative and is subject to revision during the year to take account of changing priorities and emergent risks. Audit Board monitors progress against the Plan and the S151 Officer meets regularly with the Head of Audit & Investigation and Deloitte. Completion of the Plan against target is set out in Appendix A, along with outturn for the previous 2 years.

### 3.2 Internal Audit Plan 2013/14

3.2.1 The Audit Plan as at 1st April 2013 comprised 992 days. Since that time, the Plan has been affected by audits which were added to address emerging risks.

3.2.2 Consequently, net Plan days has increased by 22 to the current total of 1,014 days. A summary of Plan days and changes is set out below:

1314 Audit Plan Analysis of Days		1314 Audit Plan Changes	
Status	Days	Audits	Total Audits
Audit Plan - 31 March 2013	992	Added	3
Days Added	22	Deleted	0
Days Deleted/Deferred	0	Deferred	0
Current Plan	1,014		

Area	Details
Fielding Primary School	2 days follow up audit added to the 13/14 Plan due to delays in finalising the report.
Intranet Security and Content Management Extended Follow up.	5 days added at the request of the Head of A&I
Budgetary Control	15 days added at the request of the Head of Audit & Investigation and External Audit.

### 3.3 Internal Audit Plan 2013/14 Assurance Profile

3.3.1 Set out below is the current status/assurance profile for the Audit Plan.

1314 Audit Plan Status			1314 Audit Plan Assurance Profile		
Status	Total	%age	Assurance Level	Total	%age
Total	118		Total	118	
Draft	21	18	Full	0	0
Final	3	3	Substantial	21	18
<b>WIP</b>	<b>25</b>	<b>21</b>	<b>Limited</b>	<b>3</b>	<b>3</b>
Overdue	0	0	<b>No Assurance</b>	<b>0</b>	<b>0</b>
Not Issued	0	0	Follow up	24	20
Not Due	69	58	Non Assurance Report	0	0
Not Applicable	0	0	To be Determined	70	59
			Not Applicable	0	0

#### 3.3.2 Commentary

- The current Plan consists of 118 audits which includes 11 ICT audits, 11 Key Financial System reviews/follow ups and 43 audits/follow ups within schools.
- The 3 audits which received 'Limited Assurance' all relate to schools.

- 3% of reports received 'limited assurance' and at this stage in 2012/13, the corresponding figure was 6%. This constitutes a 50% drop in 'limited assurance' reports issued in the period.

### 3.4 2012/13 Internal Audit Plan Follow up

3.5 Set up below is a summary of the 2012/13 Plan Assurance Profile.

12/13 Audit Plan Assurance Profile		
Assurance Level	Total	%age
Total	129	
Full	1	1
Substantial	63	62
<b>Limited</b>	<b>25</b>	<b>25</b>
<b>No Assurance</b>	<b>0</b>	<b>0</b>
Follow up	12	12
Non Assurance Report	1	1
To be Determined	0	0
Not Applicable	27	0

### 3.6 Commentary

3.6.1 102 (129-27) reports were delivered in total of which 25 were issued with a 'limited assurance' opinion. A breakdown of these audits was reported to the Committee at the previous meeting.

3.6.2 Also set out below is a summary of the number of Priority 1 & Priority 2 recommendations made as part of the 2012/13 Plan. The current status of recommendations is 'Proposed' and follow up work to substantiate the implementation position is in progress. A detailed analysis can be found at Appendix B.

2012/13 Internal Audit Recommendation Follow up (Self-Assessment)												
Status	C&A		CR		E&CS		R&H		CE		C/Council	
Recommendation	P1	P2	P1	P2	P1	P2	P1	P2	P1	P2	P1	P2
Total	2	10	10	65	8	30	15	69	0	4	35	178
Proposed	2	10	10	45	5	27	12	59	0	4	29	145
Implemented	0	0	0	15	0	2	1	6	0	0	1	23
<b>Not Implemented</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Partially Implemented</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>9</b>
Not Applicable	0	0	0	0	0	0	0	0	0	0	0	0
Disagreed	0	0	0	0	0	0	0	0	0	0	0	0

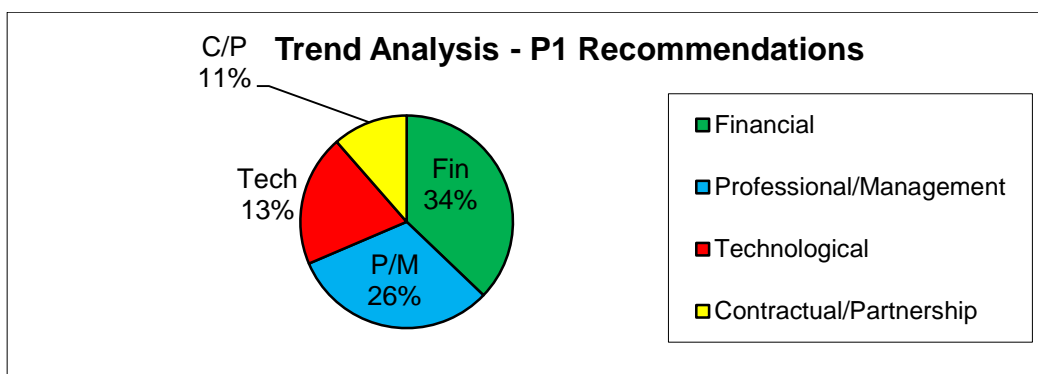
### 3.7 Commentary

3.7.1 Referring to the 5 P1 recommendations which are 'Partially Implemented', work is on-going in each case to fully implement the recommendations.

3.7.2 Internal Audit follows up implementation of all recommendations and updated statistics will be reported to Committee at each meeting, particularly in relation to P1 implementation.

### 3.8 2012/13 Trend Analysis

3.8.1 Set out below is an analysis of the Council's Priority 1 recommendations by risk 'Type'.



#### 3.8.2 Commentary

Further analysis found that key concerns related to:

- Financial (34%) - Failure to perform reconciliations.
- Performance Management (26%) - Failure to follow agreed policies and procedures.
- Technological (13%) – Systems access and security settings.
- Contractual/Partnership (11%) – Non-compliance with agreed contract terms.

3.8.3 This information will be used to aid the targeting of resources, including training, to those areas of potential weakness.

### 3.9 2013/14 Schools Internal Audit Plan

3.9.1 In 2013/14, Internal Audit will carry out 43 reviews within schools as follows:

- 27 schools will be subject to a Probity audit.
- 10 schools (those with 'Limited Assurance') will be subject to follow up.
- 6 schools with limited assurance from the previous year will be followed up

Set out below is the current status of the Schools Internal Audit Plan and a summary of the Assurance levels.

1314 Audit Plan Status - Schools		
Status	Total	%age
Total	43	
Draft	13	30
Final	0	0
<b>WIP</b>	<b>21</b>	<b>49</b>
Overdue	0	0
Not Issued	0	0

1314 Audit Plan Assurance Profile - Schools		
Assurance Level	Total	%age
Total	43	
Full	0	0
Substantial	10	23
<b>Limited</b>	<b>3</b>	<b>7</b>
<b>No Assurance</b>	<b>0</b>	<b>0</b>
Follow up	14	33

Not Due	9	21	Non Assurance Report	0	0
Not Applicable	0	0	To be Determined	16	37
			Not Applicable	0	0

### 3.9.2 Commentary

Referring to the 3 Primary schools with 'Limited Assurance', issues were raised in relation to Value for Money Procurement, Asset Management and Bank Reconciliations.

### 3.10 Post 16/19 Education Funding Audits

3.10.1 Since 1 April 2010, the Council took over responsibility for commissioning and funding 'further education' services. As such, the Council is required to provide assurance that public money expended on Post 16/19 Education is used in accordance with the principles of regularity and propriety. Therefore, the aim of the funding audits is to substantiate learner existence/eligibility and to confirm that the submitted funding claim is not overstated and is supported by appropriate documentation.

3.10.2 All 8 schools in the Borough with Post 16-19 provision were audited in 2012/13 and two schools received 'Limited Assurance'. These two schools were subject to an extended follow up in 2013/14 and each received 'substantial assurance'.

### 3.11 Schools BACS

3.11.1 As previously reported to Committee, the Council successfully developed the use of BACS payments to suppliers. This method was introduced following a high level of cheque fraud when schools were transacting cheque payments to suppliers.

3.11.2 All schools now have access to this facility and currently 6 schools are using BACS on a daily basis, 6 others are awaiting sign off from the bank and 3 schools have registered an interest in the process.

### 3.12 Schools Internal Audit Plan 2012/13 Follow up

3.12.1 Set up below is a summary of the 2012/13 Plan Assurance Profile.

Recommendation Status	Limited Assurance Only			
	Total	P1	P2	P3
Total	107	25	71	11
Proposed	97	22	64	11
Implemented	2	0	2	0
<b>Not Implemented</b>	<b>5</b>	<b>2</b>	<b>3</b>	<b>0</b>
<b>Partially Implemented</b>	<b>2</b>	<b>0</b>	<b>2</b>	<b>0</b>
Not Applicable	0	0	0	0
Disagreed	1	1	0	0

12/13 Audit Plan Assurance Profile - Schools		
Assurance Level	Total	%age
Total	42	
Full	0	0
Substantial	24	60
<b>Limited</b>	<b>10</b>	<b>25</b>
<b>No Assurance</b>	<b>0</b>	<b>0</b>
Follow up	6	15
Non Assurance Report	0	0
To be Determined	0	0

### **3.12.2 Commentary**

- All 10 schools with a 'Limited Assurance' opinion are currently being followed up.
- In addition, 6 follows ups delayed from the previous year, due to the Headteacher/Finance Officer not being in post, are also being followed up.

### **3.13 Head of Audit & Investigation (HAI)**

3.13.1 The HAI resigned his position at the Council in late July 2013 and his duties are being fully covered within the Service until a new Head is appointed. The Council has commenced a comprehensive recruitment campaign and interim arrangements are to be announced in due course.

### **3.14 Audit Board**

3.14.1 At the Audit Board meeting held on 21st August 2013, reports were submitted in relation to:

- Internal Audit Q2 Performance Report.
- Risk Management Q2 Performance Report and the Council's Strategic Risk Register
- Counter Fraud & Investigations Performance Report.

## **4. Financial**

There are no direct financial implications. All audit activity covered in this report is being delivered within the budget and there are no resource issues. Changes to the Internal Audit Plan are covered by the Contingency.

## **5. Legal**

No legal implications.

## **6. Value For Money**

Value for money reviews have been identified within the Audit Plan.

## **7. Sustainability Impact Appraisal**

Not applicable

## **8. Risk Management**

The Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

## **9. Community Safety**

Not applicable.

## **10. Links to Strategic Objectives**

The issues outlined in this report have a particular focus on the Council's organisational improvement objective 'Becoming a high performing organisation, focused on the needs of its communities'.

**11. Equalities and Community Cohesion**

No equality impact assessment has been undertaken as the report does not affect the general duties of the Race Relations Amendment Act and the requirements of other equalities legislation.

**12. Staffing/Workforce and Accommodation implications:**

Not applicable.

**13. Property and Assets**

Not applicable

**14. Any other implications:**

None.

**15. Consultation**

As per attached table.

**16. Appendices**

Appendix A: 2013/14 Internal Audit Performance.

Appendix B: 2012/13 Internal Audit Plan Follow up Statistics.

**17. Background Information**

Indicative Audit Plan 2013/14

### Consultation

Name of consultee	Department	Date sent to consultee	Date response received from consultee	Comments appear in report para:
Maria Christofi	Director of Finance	6.09.13		
Sital Galani	Deloitte Senior Manager	6.09.13		

### Report History

Decision type:	Urgency item?
For information	No

Authorised by Cabinet member:	Date report drafted:	Report deadline:	Date report sent:
Report no.:			
Report author and contact for queries: John Allsop, Audit & Risk Manager, ext: 6078			



## Appendix A: 2013/14 Internal Audit Plan Performance

Measure	31 Aug 2013		Aug 2012	Aug 2011
	Target	Actual		
<b>Deloitte</b>				
% of draft reports issued 12 days after fieldwork	<b>95</b>	94	94	94
% of drafts issued (Allocation + 20 days)	<b>95</b>	91	90	94
% of final reports issued 5 days after responses	<b>100</b>	100	100	100
% of QA forms rated 'satisfactory' or above.	<b>90</b>	91	100	80
% of Plan Completion (draft reports issued)	<b>30*</b>	21**	28	24

### Commentary

- \*Target Plan completion as at 30 September 2013 is 30%
- \*\*Plan completion for the 5 month period ended 31 August 2013 was 21%.
- 25 (21%) audits were WIP at that time. A significant number of these audits related to schools work and as such Draft reports will be issued when the schools return from summer vacation in September 2013.
- % of drafts issued (Allocation + 20 days) – Again, target was not achieved as schools queries could not be followed up during the period of vacation.

## Appendix B – 2012/13 Internal Audit Plan Follow up Analysis

2012/13 Internal Audit Recommendation Follow up (Self-Assessment)																								
Recommendation	Children & Adults				Corporate Resources				E&CS				Regen & Housing				Chief Executives				Cross Council			
Status	Total	P1	P2	P3	Total	P1	P2	P3	Total	P1	P2	P3	Total	P1	P2	P3	Total	P1	P2	P3	Total	P1	P2	P3
Total	12	2	10	0	95	10	65	20	47	8	30	9	98	15	69	14	5	0	4	1	257	35	178	44
Proposed	12	2	10	0	71	10	45	16	40	5	27	8	83	12	59	12	5	0	4	1	211	29	145	37
Implemented	0	0	0	0	18	0	15	3	2	0	2	0	9	1	6	2	0	0	0	0	29	1	23	5
<b>Not Implemented</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Partially Implemented</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16</b>	<b>5</b>	<b>9</b>	<b>2</b>
Not Applicable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Disagreed	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0