



**Report for:  
INFORMATION**

**Item no 9**

<b>Contains Confidential or Exempt Information</b>	No
<b>Title</b>	Internal Audit Performance Report Q3 2013/14
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<b>Portfolio</b>	Finance & Performance, Cllr Yvonne Johnson
<b>For Consideration By</b>	Audit Committee
<b>Date to be considered</b>	23 January 2014
<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 9 month period 1 April 2013 to 31 December 2013.

**1. Recommendation**

It is recommended that the Committee review Internal Audit's performance and key issues arising during the period 1 April - 31 December 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 December 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 3 years.

<b>Completion of 2013/14 Audit Plan as at 31 December 2013</b>	<b>Target</b>	<b>Actual</b>
	75%	73%

### 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
- Deleted as being no longer applicable.

3.2.2 Consequently, net Plan days has increased by 5 to the current total of 997 days. A summary of Plan days and changes is set out below with a detailed analysis at Appendix B.

2013/14 Audit Plan Analysis of Days	
Status	Days
Audit Plan - 31 March 2013	992
Days Added	39
Days Deleted/Deferred	-34
Current Plan	997

2013/14 Audit Plan Changes	
Audits	Total Audits
Added	5
Deleted	2
Deferred	2

### 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.

2013/14 Audit Plan Assurance Profile		
Assurance Level	Total	%age
<b>Total</b>	<b>118</b>	
Full	-	-
Substantial	30	26
<b>Limited</b>	<b>8</b>	<b>7</b>
<b>No Assurance</b>	<b>-</b>	<b>-</b>
Follow up	24	21
Non Assurance Report	2	2
To be Determined	51	44
Not Applicable	3	-

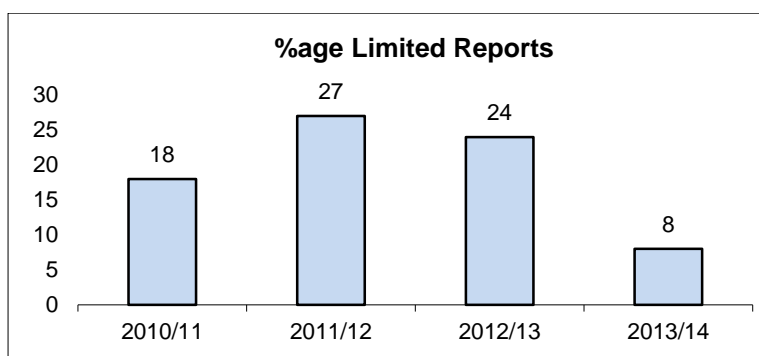
#### 3.3.2 Commentary

3.3.3 The current Plan consists of 118 audits which includes 11 ICT audits, 11 Key Financial System reviews/follow ups and 41 audits/follow ups within schools.

3.3.4 Of the eight 'Limited Assurance' audits, three relate to schools, four are in Regen & Housing and one is in Children and Adults.

3.3.5 Appendix D sets out, to date, the agreed Priority 1 recommendations.

3.3.6 The Chart below sets out the number and profile of limited assurance reports from 2010/11 to date. As can be seen, the analysis evidences a reduction in negative assurance opinions across the Council and its schools over the period.



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

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

2012/13 Audit Plan Assurance Profile		
Assurance Level	Total	%age
<b>Total</b>	<b>129</b>	
Full	1	1
Substantial	64	63
<b>Limited</b>	<b>24</b>	<b>24</b>
<b>No Assurance</b>	<b>-</b>	<b>-</b>
Follow up	12	12
Non Assurance Report	1	1
To be Determined	-	-
Not Applicable	27	-

### 3.6 Commentary

3.6.1 In 2012/13, 102 (129-27) reports were delivered in total of which 24 were issued with a 'limited assurance' opinion. A breakdown of these audits was reported to the Committee previously.

3.6.2 Set out below is a summary of the number of Priority 1 & Priority 2 recommendations made as part of the 2012/13 Plan. A detailed analysis can be found at Appendix C.

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	
<b>Total</b>	<b>2</b>	<b>10</b>	<b>10</b>	<b>65</b>	<b>8</b>	<b>30</b>	<b>15</b>	<b>69</b>	-	<b>4</b>	<b>35</b>	<b>178</b>	
Proposed	2	10	3	20	4	22	4	15	-	-	13	67	
Implemented	-	-	7	38	4	5	5	37	-	-	16	84	
<b>Not Implemented</b>	-	-	-	<b>1</b>	-	-	-	-	-	-	-	<b>1</b>	
<b>Partially Implemented</b>	-	-	-	<b>6</b>	-	<b>3</b>	<b>6</b>	<b>17</b>	-	-	<b>6</b>	<b>26</b>	
Not Applicable	-	-	-	-	-	-	-	-	-	-	-	-	
Disagreed	-	-	-	-	-	-	-	-	-	-	-	-	

### 3.7 Commentary

3.7.1 There were no P1 recommendations which were 'not implemented'.

3.7.2 Of the 6 P1 recommendations which are 'Partially Implemented', work is on-going in each case to fully implement the recommendation.

3.7.3 All Priority 1 recommendations, which were self-assessed as being implemented, will be subject to substantive testing in Q4 to validate their status.

3.7.4 Also set out below is a trend analysis of the implementation status of agreed recommendations at this stage of the follow up cycle over the past 3 years.

3.7.5 As can be seen, there is a reducing trend in both the number of overall recommendations made across the Council and the number of recommendations that are either 'Not Implemented' or 'Partially Implemented'.

Follow up Trend Analysis							
Status	2012/13		2011/12		2010/11		
Recommendation	P1	P2	P1	P2	P1	P2/3	
<b>Total</b>	<b>35</b>	<b>178</b>	<b>45</b>	<b>183</b>	<b>40</b>	<b>257</b>	
Proposed	13	67	15	45	N/A	N/A	
Implemented	16	84	23	94	24	153	
<b>Not Implemented</b>	-	<b>1</b>	-	<b>7</b>	<b>4</b>	<b>31</b>	
<b>Partially Implemented</b>	<b>6</b>	<b>26</b>	<b>7</b>	<b>33</b>	<b>9</b>	<b>60</b>	
Not Applicable	-	-	-	4	3	13	
Disagreed	-	-	-	0	-	-	

### 3.8 2013/14 Schools Internal Audit Plan

3.8.1 The table below sets out the current status of the 2013/14 Schools Internal Audit Plan.

3.8.2 27 schools were subject to a Probity audit and 14 schools (those with 'Limited Assurance') were subject to follow up.

2013/14 Audit Plan Assurance Profile - Schools		
Assurance Level	Total	%age
<b>Total</b>	<b>41</b>	
Full	-	-
Substantial	12	29
<b>Limited</b>	<b>3</b>	<b>7</b>
<b>No Assurance</b>	<b>-</b>	<b>-</b>
Follow up	14	34
Non Assurance Report	-	-
To be Determined	12	29
Not Applicable	-	-

### 3.8.3 Commentary

Referring to the 3 Primary schools with 'Limited Assurance', issues were raised in relation to Value for Money and Procurement (3-part purchasing process.)

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

3.9.1 Set out below is a summary of the 2012/13 Plan Assurance Profile.

3.9.2

12/13 Audit Plan Assurance Profile - Schools		
Assurance Level	Total	%age
<b>Total</b>	<b>41</b>	
Full	-	-
Substantial	25	61
<b>Limited</b>	<b>9</b>	<b>22</b>
<b>No Assurance</b>	<b>-</b>	<b>-</b>
Follow up	5	12
Non Assurance Report	-	-
To be Determined	-	-
Not Applicable	2	5

### 3.9.3 Commentary

- All 9 schools with a 'Limited Assurance' opinion are currently being followed up.
- In addition, 5 follows ups delayed from the previous year, due to the Headteacher/Finance Officer not being in post, are also being followed up.

## 3.10 Audit Board

3.10.1 Audit Board is to meet on 22 January 2014 and the reports to be considered are as follows:

- Internal Audit Q3 Performance Report.
- Risk Management Q3 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 Audit & Investigation budget. Any

amendments to the Internal Audit Plan are to be managed by using 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: 2013/14 Internal Audit Plan Changes.

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

Appendix D: 2013/14 Priority 1 Recommendations.

**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	9.01.14		
Sonya Panova	Deloitte Senior Manager	9.01.14		
Harriet Aldridge	Interim Head A&I	9.01.14		

## 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 Dec 2013		Dec 2012	Dec 2011	Dec 2010
	Target	Actual			
<b>Deloitte</b>					
% of draft reports issued 12 days after fieldwork	95	91	91	90	89
% of drafts issued (Allocation + 20 days)	95	87	86	83	80
% of final reports issued 5 days after responses	95	90	98	98	98
% of QA forms rated 'satisfactory' or above.	90	100	100	88	NM
% of Plan Completion (draft reports issued)	75	73	75	71	70

### Commentary

- % Plan Completion - 73% of draft reports were issued against a target of 75%.
- Where target was not achieved, this was due to:
- Auditor & auditee unavailability during the holiday period resulting in delays in responses to requests for meetings/additional information/supporting documentation etc.

To help improve delivery performance, the Council's Internal Audit Partners (Deloitte) will devote additional resources to the Contract which includes the formation of a dedicated audit team to deliver the Schools segment of the Internal Audit Plan.

Schools work represents over 35% of the Audit Plan and as this sector requires a high level of maintenance/support, this has negatively impacted on overall delivery performance.






## Appendix B – 2013/14 Internal Audit Plan Changes


2013/14 Audit Plan Changes		
Area	Details	Days
Intranet Security and Content Management Extended Follow up.	5 days added at the request of the Head of A&I	5
Budgetary Control	15 days added at the request of the Head of Audit & Investigation and External Audit.	15
Community Care Grants & Crisis Loans & Local Welfare Assistance Programs	8 days added at the request of the Head of Service as the review was split into 2 distinct audits.	8
Electoral Fraud Review	6 days added at the request of the Chief Executive to undertake an Electoral Fraud Review	6
Troubled Families Programme Grant Claim.	5 days added at the request of the Head of Service for a review of the Troubled Families Programme Grant Claim.	5
Surveying & Consultancy Services - Repairs & Adaptations	9.5 days deleted at the request of the Head of Service.	-9.5
EMS Contract.	14 days deferred to the 2014/15 Plan at the request of the Head of Service as the Audit would not add value at this time.	-14
Supporting People	10 days to be deleted at the request of the Head of Service as the Scheme is no longer in operation and the Grant has been withdrawn	-10
<b>Total</b>		<b>5.5</b>


## Appendix C – 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
<b>Total</b>	<b>12</b>	<b>2</b>	<b>10</b>	<b>-</b>	<b>95</b>	<b>10</b>	<b>65</b>	<b>20</b>	<b>47</b>	<b>8</b>	<b>30</b>	<b>9</b>	<b>98</b>	<b>15</b>	<b>69</b>	<b>14</b>	<b>5</b>	<b>-</b>	<b>4</b>	<b>1</b>	<b>257</b>	<b>35</b>	<b>178</b>	<b>44</b>
Proposed	12	2	10	-	32	3	20	9	25	2	20	3	24	4	15	5	-	-	-	-	93	11	65	17
Implemented	-	-	-	-	54	7	38	9	18	6	7	5	48	5	36	7	5	-	4	1	125	18	85	22
<b>Not Implemented</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Part Implemented</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>6</b>	<b>2</b>	<b>4</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>25</b>	<b>6</b>	<b>17</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37</b>	<b>6</b>	<b>26</b>	<b>5</b>
Not Applicable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disagreed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix D – Analysis of 2013/14 P1 Recommendations

Area	Operation of Controls	Summary of Key Findings
Cash Office Unannounced Spot Checks	Substantial 	<p>One priority 1 and four priority 2 recommendations were raised where there is scope for improvement in the control environment. The P1 recommendations is:</p> <ul style="list-style-type: none"> <li>The Council should undertake a review of all employees who have access to the Cash Office, and any employees identified who are not designated and authorised Cash Office personnel should have their access removed immediately.</li> </ul> <p>Furthermore, consideration should be given to storing cheques in a secure area whilst they are waiting to be processed (e.g. in a locked drawer).</p>
Public Health	Substantial 	<p>One priority 1 recommendation, two priority 2 and one priority 3 recommendations were raised where there is scope for improvement in the control environment. The P1 recommendation is:</p> <p>A formal process should be developed for undertaking both random audit checks to confirm numbers being offered a public health check and random post payment verification visits to confirm that NHS health checks are being carried out in accordance with the contract.</p> <p>As a minimum, this should include:</p> <ul style="list-style-type: none"> <li>The frequency of checks being undertaken;</li> <li>Assessment of the number of GP's to be checked (i.e. 100% over a rolling period or on a sample basis);</li> <li>What information/ records are required to be checked;</li> <li>How the checks should be evidenced; and</li> <li>Follow up actions for any discrepancies.</li> </ul>
Housing Solutions	Limited 	<p>One priority 1 and two priority 2 recommendations were raised where there is scope for improvement in the control environment. The P1 recommendation is:</p> <p>Clarification should be sought on what documentation/ evidence/ proof is required to be obtained and/ or completed by the Reception Advice Team and provided to Housing Demand for inclusion on a client's case file. Once determined, the Reception Housing Advice Manual should be updated to reflect these requirements and this should be clearly communicated to all relevant staff.</p> <p>In addition, consideration should be given to producing a mini-checklist to ensure all documentation/ evidence/ proof is obtained and/ or completed prior to the client's Housing Options appointment taking place. Where key requirements have not been completed, the outstanding information should be obtained at the earliest opportunity</p>

Area	Operation of Controls	Summary of Key Findings
Blair Peach Primary School	Limited 	<p>Two priority 1 and nine priority 2 recommendations were identified where there is scope for improvement in the control environment. The priority 1 recommendations are:</p> <p>For all purchases (i.e. goods and services), management should ensure the correct procedure is followed as documented within the Finance Policy and in compliance with the Schools Finance Handbook.</p> <p>As a minimum, staff should be reminded of the following:</p> <ul style="list-style-type: none"> <li>• Raising purchase orders (and evidencing as such) prior to orders being placed with suppliers (where feasible);</li> <li>• Evidencing approval for commitment to purchase in line with the Scheme of Delegation;</li> <li>• Evidencing confirmation of goods/services being receipted (and by whom); and</li> <li>• Evidencing invoices being appropriately certified/ authorised for payment.</li> </ul> <p>Staff should be reminded of the following as per the Schools Finance Handbook and the Finance Policy:</p> <ul style="list-style-type: none"> <li>• For expenditure less than £15,000, staff should be reminded of the requirement to be able to demonstrate value for money being received;</li> <li>• For expenditure above £15,000, staff should be reminded that at least three written quotes must be obtained, compared and the results recorded;</li> <li>• For expenditure above £20,000 (in accordance with the Finance Policy) or £75,000 (in accordance with the Schools Finance Handbook), staff should be reminded that tenders must be obtained and a formal contract drawn up.</li> <li>• Approval should be obtained in line with the Scheme of Delegation and should be clearly evidenced as such (e.g. via meeting meetings); and</li> <li>• In addition, the basis for final supplier selection (i.e. cheapest/ quality etc) should be clearly documented to demonstrate value for money.</li> <li>• Efforts should be undertaken to locate the missing contracts/agreements. Where these cannot be located, copies should be obtained from the third party; and obtain signed copies of contracts/agreements from the third party.</li> </ul>

Area	Operation of Controls	Summary of Key Findings
Grove House Children's Centre	Substantial 	<p>One priority 1, eight priority 2 and two priority 3 recommendations were identified where there is scope for improvement in the control environment. The priority 1 recommendation was:</p> <p>For all purchases (i.e. goods and services), the School should ensure the correct procedure is followed as documented within the Finance Policy and the Schools Finance Handbook.</p> <ul style="list-style-type: none"> <li>• As a minimum, staff should be reminded of the following:</li> <li>• Raising and authorising purchase orders (and evidencing as such) prior to orders being placed with suppliers (where feasible);</li> <li>• Evidencing approval for commitment to purchase in line with the Scheme of Delegation;</li> <li>• Evidencing confirmation of goods/services being receipted (and by whom);</li> <li>• Payments being made within 30 days of invoice receipt; and</li> <li>• Where VAT is applicable, a VAT invoice (evidencing the VAT registration number) should be obtained from the supplier.</li> </ul>