

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>23 April 2013</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Internal Audit Activity as at 28 March 2013</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Update the Risk and Audit Scrutiny Forum on progress by, and performance of, the Internal Audit service in the period to 28 March 2013
- ◆ Seek endorsement of an amendment to the 2012/2013 Audit Plan

## 2. Recommendation(s)

2.1. The Forum is asked to approve the following recommendation(s):-

- (1) that progress and performance is noted
- (2) that a revision to the 2012/2013 Audit Plan is endorsed.

## 3. Background

3.1. Findings from Internal Audit assignments are reported to the Forum throughout the year. The last progress report to the Forum was in February 2013. This reported on work completed in the period 13 October 2012 to 16 January 2013. This report covers all work completed in the period 17 January 2013 to 28 March 2013. Performance information is also included.

## 4. Performance

- 4.1. As at 28 March 2013, 96 out of a total of 108 assignments (89%) included in the 2012/2013 Audit Plan, have been delivered to draft report stage. The remaining 12 assignments will be completed to draft report stage by 30 April 2013. The other key performance indicators reflecting quality, on time and within budget are summarised in Appendix One together with explanations. 82% of draft reports have been delivered on time and 71% within budget. Quality continues to be monitored through internal quality control procedures.
- 4.2. Client contributions to the delivery of the audit plan take the form of responding to draft reports, agreeing to closing meetings and signing reports quickly once agreed. 83% of audit assignments were concluded to a signed action plan within the target seven weeks, exceeding the target set of 80%.

## 5. Findings

5.1. Appendix Two lists all assignments completed in the period 17 January 2013 to 28 March 2013. Detailed findings from the one more material piece of work follows, linked to the strategic risk to which the area is most closely aligned.

5.2. Assurance over contractual risks:

I252255: Scaffolding Contract

The objectives of the audit were to confirm that the contract was being soundly managed with controls in place to manage key risks and to ensure value for money was being secured.

Audit findings have established that Property Services has good controls in place to manage the scaffolding contract and that the contract objectives are being achieved. Contractual arrangements appear to deliver value for money. Some areas for development have been identified in relation to establishing sole responsibility for the provision of an overarching contract administration, improving the quality of invoices received from the contractor and ensuring that regular meetings are convened with the contractor to discuss operational and performance related matters.

5.3. Forum members are asked to note findings.

**6. Amendment to the 2012/2013 Audit Plan**

6.1. The 2012/2013 Audit Plan included some time to review e-tendering procedures. Initial research work for the assignment has established that there is an intention to move to a new e-tendering system during 2013, after a pilot test has been undertaken.

6.2. As a result, it is recommended that work is deferred in this area until 2013/2014 to allow time for the new system and processes to be imbedded. An assignment would be delivered in 2013/2014 that reviews the new e-tendering process to ensure that this is both effective and secures best value for the Council.

6.3. The Forum are asked to approve this amendment to the 2012/2013 Audit Plan.

**7. Employee Implications**

7.1. There are no employee issues.

**8. Financial Implications**

8.1. At the end of accounting period 13 (18 March 2013), the Internal Audit Section was underspent in line with probable outturn projections and due, in the main, to savings in employee costs.

**9. Other Implications**

9.1. The main risks to the delivery of the Audit Plan are vacancies and team up-skilling requirements, unforeseen service demands and delays with client sign-off. These are mainly mitigated by coaching and training, regular meetings and escalation processes as well as inclusion of contingency time within the annual plan.

9.2 There are no sustainability issues in terms of the information contained in this report.

## **10. Equality Impact Assessment and Consultation Arrangements**

- 10.1. There is no requirement to equality assess the contents of this report. Heads of Service are consulted on each and every audit assignment.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

28 March 2013

### **Link(s) to Council Values/Objectives**

- ♦ Objective – Governance and Accountability

### **Previous References**

- ♦ Progress report to RASF September 2012
- ♦ Progress report to RASF November 2012
- ♦ Progress report to RASF February 2013

### **List of Background Papers**

- ♦ Figtree extracts of Action Plans

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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**Key audit performance indicators as at 28 February 2013**
**Appendix One**

Indicator	Numbers	Percentage	Target	Comment
Assignments delivered within budget	87/122	71%	80%	A further 10 jobs were over budget in the period 1 December 2012 to 28 February 2013 (25 previously reported as over budget at 30 November 2012). Two were marginal over-runs, two related to investigations which had taken longer than originally anticipated and the remaining six to routine assignments where the original budgeted days to complete work had been under-estimated.
Draft reports delivered within 21 days of fieldwork completion	98/120	82%	80%	
2012/13 Audit Plan completed to draft by 30 April 2013	96/108 (as at 28.3.13)	89% (as at 28.3.13)	100% by 30.4.13	A further 37 additional jobs, not included in the 2012/13 Audit Plan, have also been delivered in the period to 28 March 2013. (80/92, 87% of the 2011/12 Audit Plan had been delivered by 31 March 2012)
Audit recommendations delivered on time	148/174	85%	85%	
Time taken for clients to agree findings and actions (Target 7 weeks)	87/105	83%	80%	

**List of assignments completed 17 January – 28 March 2013**
**Appendix Two**

Job no.	Assignment name	Draft Issue	Final Issue	Assurance Info
<b>2012/13</b>				
I310781	Follow Up Unitary Charge	02/10/2012	11/10/2012	Good progress with 6/6 actions implemented.
I222245	Leader Programme Grant 2011/12	11/12/2012	17/12/2012	Clean audit certificate.
I210934	SLLC Planning Advice and Guidance 2012/13	04/01/2013	09/01/2013	Reported to SLLC
I310767	Follow Up Fuel Siphoning	10/01/2013	10/01/2013	3/4 actions implemented. Final action linked to the development of a new fuel control system and is now due to be implemented by 31 March 2014.
I310776	Follow Up People Connect	10/01/2013	15/01/2013	4/5 actions implemented. Further actions agreed with Resource to establish if additional monitoring reports are available and to update People Connect records.
I310771	Follow Up School Inventory	16/01/2013	16/01/2013	Good progress with 4/4 actions implemented.
I342799	Advice and Guidance - Communication Process	11/12/2012	16/01/2013	Good communications process in place to ensure effective consultation arrangements for the Primary Schools Modernisation Programme.
I676364	Material Theft	22/01/2013	22/01/2013	Allegation unsubstantiated. Further routine review work planned by Internal Audit in 2013/14.
I679366	Benefits Cheque	22/01/2013	22/01/2013	Cheque fraudulently cashed. SLC have been reimbursed and proof of identity controls being reviewed.
I210937	LVJB Procurement	17/12/2012	24/01/2013	Reported to LVJB
I611331	SLLC Mobile Communications	27/09/2012	24/01/2013	Reported to SLLC
I672361	Facility Support Employee Conduct	25/01/2013	30/01/2013	Disciplinary action taken by Resource.
I310766	Follow Up Contract Award Management	31/01/2013	31/01/2013	Good progress with 14/14 actions implemented.
I310770	Follow Up Information Governance	30/01/2013	31/01/2013	Good progress with 4/4 actions implemented.
I678370	Grant Application	15/01/2013	04/02/2013	Complaint investigated by Internal Audit confirmed proper procedures had been followed. Some recommendations made to improve administrative processes.
I252255	Scaffolding Contract	10/01/2013	15/02/2013	See 5.2
I678369	Community Service	15/02/2013	15/02/2013	Allegation unsubstantiated when investigated by Resource.
I310789	Follow Up School Meal Income	06/02/2013	21/02/2013	33 actions across 6 separate schools and support functions. 8 actions were followed up in the area of most significant risk and found to have been implemented. Verbal assurances were accepted as to the implementation of 24 further recommendations with a revised completion date agreed for one remaining outstanding action.

I342763	Re-ablement Audit	20/12/2012	22/02/2013	Good controls evident in the implementation of 'Supporting Your Independence' which has successfully evolved to encompass all home care service providers.
I210936	SFR Planning/Advice and Guidance 2012/13	05/03/2013	05/03/2013	Reported to SFR
I251254	E-tendering	05/03/2013	05/03/2013	New system being piloted – work deferred until 2013/14 (see 6.1 – 6.3)
I310774	Follow Up SEEMIS Data	05/03/2013	05/03/2013	Actions not due to be implemented until 31 March 2013 – follow-up deferred until 2013/14
I310773	Follow Up High Over-time Earners	04/03/2013	12/03/2013	Good progress with 2/2 actions implemented.
I310768	Follow Up Recruitment Checks	08/03/2013	13/03/2013	Adequate progress with 9/9 actions implemented.
I218941	SFR Fuel	20/02/2013	19/03/2013	Reported to SFR
I311791	SFR Follow-up 2011/12	25/03/2013	25/03/2013	Reported to SFR